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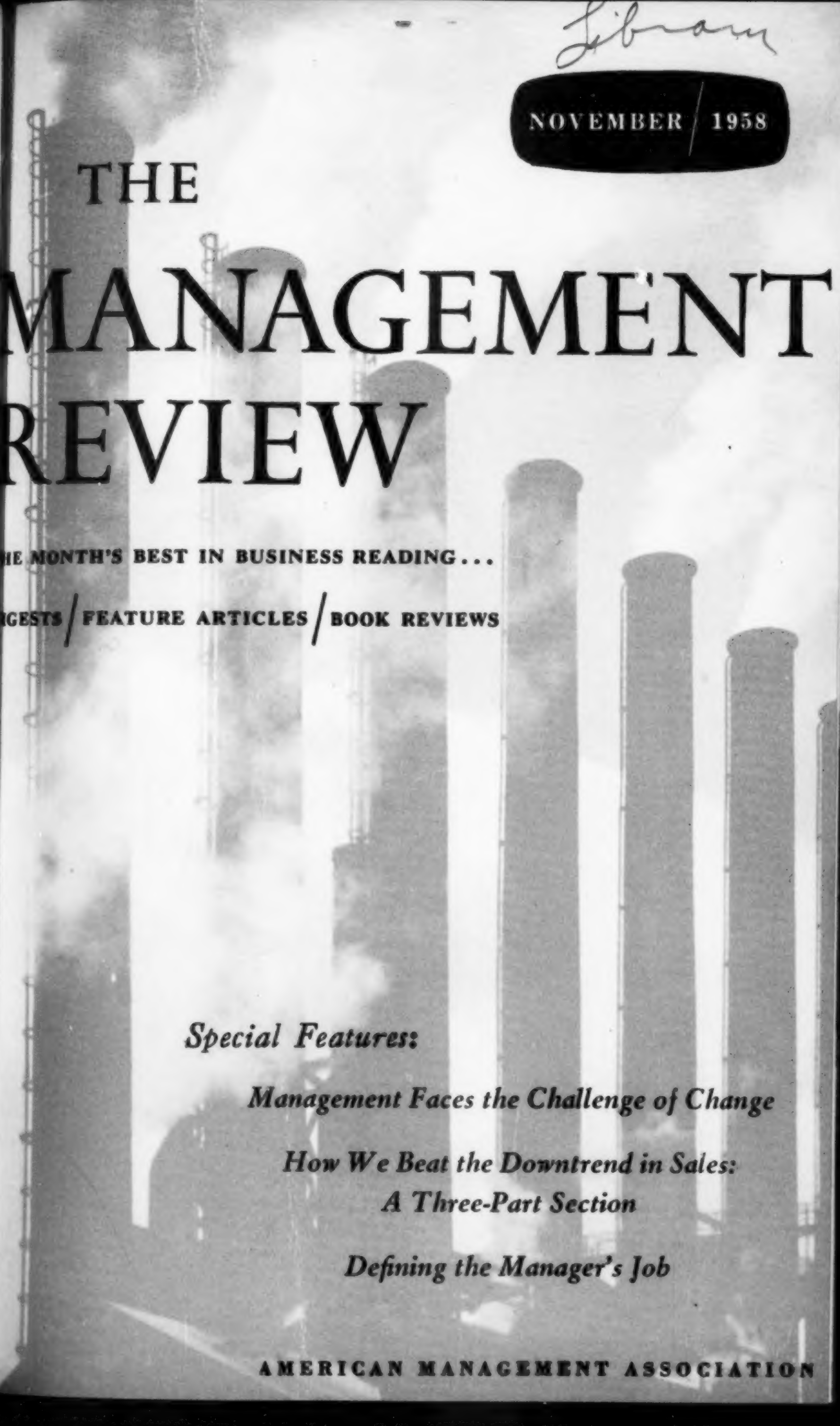
NOVEMBER / 1958

THE MANAGEMENT REVIEW



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How We Beat the Downtrend in Sales: A Three-Part Section

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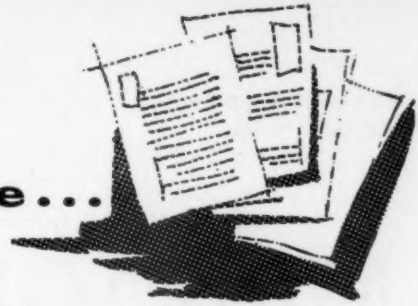
in this issue . . .



• **Where Do We Go From Here?** Possibly nothing characterizes management's position today better than the old French adage, "the more it changes, the more it remains the same." For changes—in the form of new technology, new markets, new relationships between costs and profits—are taking place more rapidly and dramatically than ever before; yet these very changes mean renewed emphasis on two functions that are as old as the management job itself: planning and control. In this month's lead article (page 4), WILSON T. SENEY reviews five major trends that have already begun to affect—and will have increasing impact upon—management planning and control practices.

• **Bucking the Trend.** The company was far ahead that merely held its own in sales volume during the recent recession. But what kind of sales strategy and marketing efforts must it have taken to chalk up new highs during that tough period? See this month's special section, *How We Beat the Downtrend in Sales* (beginning on page 9) for details of three outstanding sales success stories.

• **Close-Up on the Management Job.** Traditionally, position descriptions have been associated with nonmanagerial jobs, though there is no valid reason why they can't be useful at all levels. As a matter of fact, a research study just completed by AMA (and previewed in the article beginning on page 26) shows that companies with executive position descriptions are finding more and better uses for them than they had originally anticipated.

—THE EDITORS

NOVEMBER 1958
Volume XLVII, No. 11

THE MANAGEMENT REVIEW

FEATURES

BUSINESS DIGESTS OF THE MONTH

Trends and perspectives

Cover photograph: H. Armstrong Roberts

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MANAGEMENT FACES

The Challenge of Change

How long-term trends are affecting planning and control practices

■ ***Wilson T. Seney***
McKinsey & Company, Inc.

More than 90 per cent of all the scientists who ever lived are alive today. On the average, they are just as clever as the men who preceded them—and they are better trained.

This fact, pointed out recently by Professor Thomas Gold, is more fantastic than science fiction in its implications. New sources of power, new materials, new products, and new processes are promised in profusion by the immense scientific and engineering efforts being exerted today.

The inevitable companion of the new is obsolescence of the old. Existing products, facilities, and methods will inevitably be replaced—some sooner, some later.

Faced by the problems of change and obsolescence, what is the businessman to do? For the past twenty or more years, top managers and business analysts have been devoting increasing attention to these problems, and a number of new planning and control prac-

tices have been developed. Without going into the rich variety of individual practices, we can summarize the major developments in the thinking of business managers about trends in the economy and describe how their thinking is reflected in the ways they plan and operate their companies.

LONG-TERM TRENDS

Recognition of at least five long-term factors is apparent in the thinking of business planners.

1. *Technology* has been advancing at an increasing rate. The first heavier-than-air machine was flown in 1903; now, only 55 years later, we are talking seriously of trips to the moon. The rise of mass production and automation techniques and the development of new and improved materials are too well recognized to require discussion here.

2. *Expanding markets* reflect both increasing population and rising standards of living. It is estimated that the population of the United States will increase 30 per cent in the next 20 years. And population in many parts of the world is increasing at even faster rates. Gross National Product of the United States (in constant dollars) has increased by 113 per cent from 1939 to 1957.

3. *Increasing productivity* has played a large part in achieving our increased Gross National Product. In manufacturing enterprises, production per employee has increased by more than 50 per cent during the past 30 years—and it is estimated that it may increase by another 40 per cent in the next 20 years.

4. *Investment in capital goods* per worker increased over 25 per cent (in constant dollars) in the few short years between 1950 and 1957, according to National Industrial Conference Board figures. And this is a continuing trend: McGraw-Hill forecasts that machine capacities will double by 1975, while the labor force will increase only 35 per cent.

5. *International competition* for world markets is increasing. As recently as World War II, the U.S. Steel Corporation—just one company—could produce more steel than the entire Soviet Union. It therefore comes as something of a shock to read this statement released by Mr. Allen Dulles, head of the Central Intelligence Agency: "During the first quarter of the year (1958), for the first

time in history, the Sino-Soviet bloc produced more steel than we did."

Occasionally, of course, short-term trends run counter to long-term growth trends. However, this does not mean that business managers have changed their basic thinking and approaches. Every manager has constantly before him the challenge of achieving two separate and sometimes contradictory goals: maximizing profits and minimizing risks. Neither long-term trends nor short-term situations repeal these two objectives.

COST-VOLUME-PROFIT PRESSURES

One of the most significant effects of these long-term trends is that they force industry to spend money in large amounts. This results in raising the fixed costs of doing business and increasing the pressures on managers to obtain volume and profits.

Increasing Costs

The *costs of original investment* are critical in most businesses. Technology and economics have combined to force the costs of investment upward. This trend can be seen, for example, in oil refining. Modern refineries are built to process many times the volume that older refineries could handle. At the same time, the refining process has become more complex. Originally, it was limited to the application of heat to crude oils and the consequent separation of the crudes into products of different gravities and viscosities. But modern refining is a very complicated process of separating and recombining the molecules in crude oils. This, of course, requires much more costly original equipment.

The many noncapital costs implied in capital investment, which are just about as fixed as the investment itself, are increasing also. The much more expensive maintenance and repair activities required in a modern refinery are one example of this kind of costs.

A second type that looms large can be called *going-concern costs,* which exist as the net result of past management decisions, including decisions regarding anticipated volumes of production and sales. They include the salaries and expenses of management, the fixed cash costs of existing facilities, and all other expenses involved in being ready to do business when there is business to

be done. At least three causes have conspired to increase the dollars spent on going-concern costs:

1. The practice of spending overhead dollars to reduce direct costs and to improve profits. For example, dollars spent for sales supervision have often improved sales results. Dollars spent for industrial engineering and cost accounting have often increased productivity.

2. The philosophy of the social responsibility of business. This philosophy has grown partly because business leaders themselves have promoted it, partly because labor unions have pressed for it, and partly because government has legislated it. It is reflected in a host of expenses—employee welfare costs, social security taxes, pension fund contributions, the guaranteed annual wage, donations to community activities, and, of course, corporate income taxes.

3. The sheer weight of record keeping. Federal, state, and local regulations have complicated the recording and reporting of sales transactions, inventory valuations, payrolls, depreciation charges, cost allocations, pricing decisions, and almost every figure a business keeps. And quite apart from government requirements, many businesses have developed statistical practices in such areas as market and sales analysis, economic-lot-size studies, and return-on-investment forecasts. And when records are kept and analyses are performed with the help of punch-card or electronic installations, clerical costs tend to become more fixed.

The third type of costs on which business spends large sums can be called *future development costs.* Management spends present dollars for future returns in such fields as basic research, product and process development, executive development, and experiments with alternative marketing techniques. These expenditures are necessarily limited by the company's ability to finance them, but their size depends more on future prospects than on current conditions. For example, research and development expenditures increased even during the recent dip in general business.

THE SEARCH FOR PROFITS

In order to maintain profits in the face of mounting fixed costs, businessmen have naturally turned their attention to three sources of income: decreased variable costs per unit, increased volume, and

increased selling prices. Managers have been able to squeeze money from all of these sources. Decreased variable unit costs are reflected in production per man-hour in manufacturing, which has risen about 20 per cent since 1950. Increased volume is reflected in Gross National Product, which rose 27 per cent during the same period. Increased prices are reflected in Department of Commerce figures on purchasing power of the dollar, which indicate inflation of about 20 per cent during the same period.

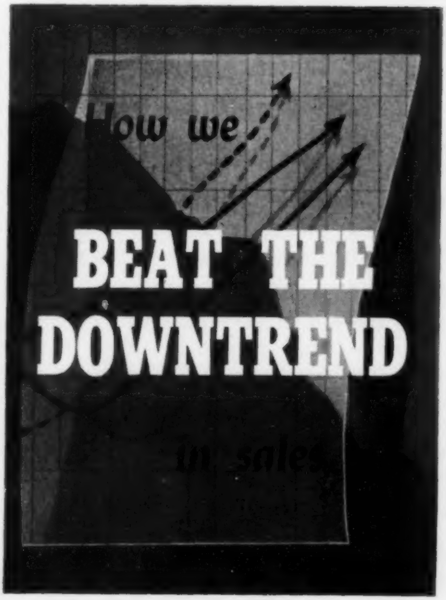
How much additional money managers have actually obtained and whether the net profit results have been sufficient to pay dividends and to take care of replacement costs at present levels are questions that have been subjects of much debate. For our purposes, it is sufficient to note what managers have been doing in these areas, and the cost-volume-profit pressures that are influencing—and are, in turn, being intensified by—their actions.

In the search for volume at favorable prices, managers have looked beyond meeting existing demands. They have successfully created new demands by offering new and improved products that have been wanted by millions of people who were willing to pay the prices asked. Today we have a whole world of consumer goods which, for all practical purposes, have been brought into existence in the past 60 years. And behind these mass-marketed products are other products—the machine tools, the transportation systems, and the computing machines that make possible their production and distribution.

The search for volume has moved one step farther in recent years. Since fundamental product changes were not expanding markets fast enough, managers have moved in the direction of "planned obsolescence" in one product line after another. Rapid style changes have moved from clothing to home furnishings to automobiles to appliances to housing. The customer is persuaded that he should replace what he already owns, not because it is worn out or inconvenient, but because it is old-fashioned.

The costs of these model changes are laid on top of the more basic product and process development costs. The year that Detroit makes major model changes is a good year for the machine tool industry. And it would be difficult to estimate the amounts of

(*Continued on page 70*)



1. A COMPANY EFFORT:

The American Motors Success Story

■ *Roy D. Chapin, Jr.*
Executive Vice President and General Manager
American Motors Corp.

In the light of industry forecasts predicting that as many as 5,500,000 automobiles would be sold in 1958, it might have seemed preposterous to speculate that actual sales would be running around the 4-million-car level—but that is exactly what happened. Yet, in the first six months of 1958, when total industry sales were down 28 per cent from the 1957 level, Rambler sales were 46 per cent *ahead* of the year before. In the first part of the year, Rambler's

percentage of total industry sales moved from 2.39 per cent to 4.84 per cent—more than double in six months. This compares with an increase from 1.22 per cent to 1.89 in the same period last year.

This trend continued to the point where August sales were 99 per cent ahead of last year. Our field inventories of 1958 cars were down to a minimum at the end of September—so low, in fact, that we permitted our dealers to start selling 1959 models in advance of the October 8 public announcement date.

What accounts for this tremendous surge of sales? What enabled Rambler to increase its share of the market so startlingly at a time when sales were falling off in the rest of the industry?

DEVELOPING THE NEW PRODUCT

In every industry, what happens in any period is the result of things that happened before. In the automobile business, the minimum period from design to market is three years—and it is normally much longer than that.

Nash and Hudson merged in the summer of 1954. At that time, both concentrated on the so-called medium-priced field, although both had small cars—the Nash Rambler and the Hudson Jet. But these were considered "fringe" models, and neither sales departments nor dealer organizations had very much interest in them. At that time, both companies were losing money—big money.

Each year, Ford, Chevrolet, and Plymouth had moved further down the road of size, bulk, and horsepower. We, too, had some pretty big cars to sell in our Nash and Hudson—and the going was rough and expensive. So a major decision was made in the fall of 1954: American Motors would concentrate on the compact car.

WHAT IS A COMPACT CAR?

Most of the imported small cars fall in the 85-inch to 102-inch wheelbase class and have an over-all length of between 136 and 177 inches. There is a big gap between these and the 1958 American cars, which have 116- to 133-inch wheelbases and are 202 to 229 inches in over-all length.

This gap is spanned by our products, which range from models with an 85-inch wheelbase and a 149-inch over-all length to the luxury car in our line, the Ambassador by Rambler, which, although

offering every refinement, is still compact when its 117-inch wheelbase and 200-inch over-all length are compared with the average American car.

Since the absolute minimum time from design concept to salable product is three years, the first full implementation of our program was with the introduction of the 1958 model in the fall of last year. After much soul-searching—or, more aptly, "auto-analysis"—we moved completely out of the medium-priced field, thereby ridding ourselves of a type of corporate "split personality" induced by trying to promote two car concepts simultaneously. We discontinued the long-established Hudson and Nash models, and cast our lot completely with the compact car.

REORGANIZING FOR GREATER SALES

Other basic management decisions accompanied this program. One of the first steps was an extensive reorganization of our sales department. The separate Nash and Hudson organizations were merged into one, with four divisions, 21 zone offices, and 15 master parts warehouses across the country. Our sales vice president embarked on a program of work conferences that included detailed reviews of the activities and accomplishments of every one of our field personnel.

There were also extensive personnel shifts. Men within the organization were upgraded, and some new men were brought in. The relationship of salary scales to industry averages in each locality was reviewed, and proper adjustments were made where they were indicated.

In spite of operating losses at the time, a year-end bonus, based on sales performance against quota, was introduced. Every month, each of the 21 zone managers and four divisional managers gets a letter from the head office showing exactly where he stands in relation to accomplishment of the initial objective that entitles him to participate in the bonus. This applies not only to automobile sales, but also to sales of factory-installed optional equipment and to parts.

On the very valid assumption that unless our dealers make money they won't continue to be our dealers very long, we took a close look at our discounts, bonuses, freight charges, and other similar

items to be sure that they were fully competitive with industry practice—and we fixed any that were not.

We also renewed the emphasis on business management. In the automobile industry, this means establishing uniform accounting practices at all larger dealerships. Regular reports and regular consultation with dealers, using these reports, help to improve their operating efficiencies and profits.

Partly as a result of this, Rambler dealers in the first six months of 1958 enjoyed a return on their investment of nearly double the industry average.

STRENGTHENING THE DEALER ORGANIZATION

The next area for decision and action was in our dealer organization. On paper, we had quite an impressive number of outlets. The trouble was that many of them were *just* on paper—they had their names on contracts and that was about all.

Now, when you are losing money at a rate of several million dollars a month, it isn't easy to go into the field and start canceling dealers. But that's exactly what we did: On April 15, 1956, we put into effect a "quality dealer" program—meaning that we started insisting, without exception, on minimum standards of capital, comparable building facilities, floor space, manpower, inventories, equipment, and selling ability.

These minimum standards are those that experience has proven a dealer has to have in order to be successful in the type of market in which he is located. Naturally, they vary with the sales potential of the territory.

The objective of this program was obviously to build a dealer organization that had the tools to be successful and, consequently, would be stable and productive. In the course of the program, the total number of outlets declined from 2,679 on April 15, 1956, to a low point at the end of that year of 1,958. Gradually, we built that back up, until it reached 2,200 at the beginning of this year. As of today, it is over 2,600—numerically back to the level at which it started.

But these figures tell only a small part of the story. The 2,679 dealers we had at the beginning of this program had a net worth

of $100,400,000. Today, approximately the same number of dealers have a net worth of $130,600,000—or an average of $50,542 each compared with $38,675—and they have been similarly strengthened in every other respect.

THE DEALER ADVISORY BOARD

In terms of dealer stability and continuity, the program has also produced excellent results. For example, of the dealers signed since January 1, 1958, total terminations amount to only 14—undoubtedly a record in our industry.

In addition to the "quality dealer" program, we also established a dealer advisory board, selected by secret ballot among all the dealers. The top officers of the company—from the president down—meet with this board regularly for a frank and exhaustive discussion of mutal problems. The heads of each department—engineering, procurement, and manufacturing—lead the discussions.

Dealer representatives prepare and submit an agenda, loaded with questions they want answered. At the meetings, nothing is put off that can possibly be settled on the spot. Buck-passing as a management technique has withered as a result of the exposure of the men with top policy and operating authority to the field problems raised by dealers. Furthermore, a tape recording of the entire proceedings is delivered to all dealer representatives, giving them a record of what we've agreed to do.

GETTING A FAST SALES START

In addition to these long-range decisions and plans, there were some immediate decisions that also affected the results in the January-June period.

Our sales pattern indicated we generally got off to a slower start in the early months of a new-model season than did our competitors. Last fall, we took a leaf from the book of Oliver Cromwell, who once said: "It is a good thing to strike while the iron is hot, but it is a better thing to make the iron hot by striking."

To our knowledge, no one had ever tried starting right out at new-model time with a sales contest. It was almost heresy to think of having a sales contest at the time when new styling, new features, big

announcement advertising campaigns, automobile shows throughout the country, and peak public interest were all present to help boom sales.

Nevertheless, because we decided the thing we needed most was to build momentum—to get off to a faster start than normal practice would produce—we embarked on an extensive sales contest, starting with the delivery of the first 1958 model in October and running through December.

Sales started to climb—an increase of 33.7 per cent in October, 24 per cent in November, and 51.7 per cent in December. The 100-day dealer sales contest had as its goal the sale of 36,000 cars. When the smoke cleared away, our dealers had sold 37,468 cars. (Incidentally, we had budgeted expense on the basis of 30,000, so an additional appropriation was necessary—but that's the kind any management would love to approve.)

ADVERTISING AND PROMOTION

This sales drive was supported by an intensified advertising program. Because we realized the futility of trying to match our bigger competitors dollar for dollar, we restricted ourselves primarily to newspapers and magazines and adopted a dramatic and controversial approach.

We felt that a certain sameness characterizes most automobile print advertisements: brag-and-boast copy, four-color illustration, and social prestige appeals have become the vogue. American Motors advertisements, although modest in number in comparison with our major competitors, have had something to say, and we've tried to say it directly, simply, and convincingly. Our cartoon technique has been subject to some criticism for not being sufficiently "dignified," but when the readership ratings of the campaign became available, we knew we were on the right track.

We have a policy of setting our advertising and sales promotion budget for a year, and then reviewing it regularly and making firm commitments for the next three months. In this way we can relate it to our rate of sales. For 1958, we took a gamble to support our efforts to build early momentum and scheduled a considerably higher percentage of the year's total to be spent in the initial months. This unquestionably helped us get the sales results we did.

This sales, advertising, and promotion effort has not only resulted in a sharp uptrend in our sales volume and our percentage of the total market, but it has put us in a strong position to meet the future.

MEETING FUTURE COMPETITION

First, the company has been greatly strengthened financially. Our working capital position is greatly improved, and our bank debts are paid off. We have the financial resources and the production capacity needed to satisfy the growing demand for compact and smaller cars in the period immediately ahead, and we are pointing to still greater capacity as sales demand justifies.

The compact and small car market has grown steadily in recent years, and we believe it is in the early stages of growth. Foreign car registrations accounted for 98,187 units in 1956; in 1957, they jumped to 206,827; and in 1958 it is estimated that they will reach 350,000 units. My belief is that the annual sale of imports will shortly level off at 400,000 to 500,000 units.

However, U.S.-built compact cars may attain a sales level in 1960 equal to that of the imports, particularly if all Big Three companies introduce compact cars next year, as I believe they will. With General Motors, Ford, Chrysler, Studebaker Packard, and American Motors developing the market, U. S. producers may account for 800,000 compact cars in 1961 and 1,200,000 in 1962. Beyond that period, the size of the compact car market may expand greatly, and before the end of the decade, I predict compact and small cars will realize 50 per cent of the total U. S. market.

What about American Motors' ability to stay in the race? Not only will we be in the race, but we expect to lead it. For the past 18 months, the Rambler program has increasingly picked up momentum. By the time our competitors enter the race, we expect to be operating at full throttle with a product that is widely accepted and a distribution system covering every important marketing area.

When the Big Three enter our league, we're going to begin enjoying some of the advantages of the home team playing in its own ball park. We're already accustomed to the new ground rules, and the head start we've achieved has given us a total owner population in excess of 1,600,000 with a high degree of owner loyalty.

This will be an invaluable asset as we face the future. Any companies that now offer compact cars to the public will face several problems:

First, they must start from scratch in developing a sales organization with the know-how and techniques of selling a radically different product concept than their people have been accustomed to selling. We've had enough experience to know it takes time.

The companies will face the uphill job of both implanting a new product name on the public consciousness and making the new product name stand for something. Thoughtful buyers are going to wait until the new product has proven itself. And it takes time to get rid of the bugs in a new model, even in years of moderate product changes.

The power of more advertising and promotion will be focused for the first time on the advantages of the compact car, and that should reflect favorably on the pioneer and leader in the field, Rambler.

LESSONS FROM RAMBLER'S EXPERIENCE

The experience of American Motors points up a few fairly obvious conclusions:

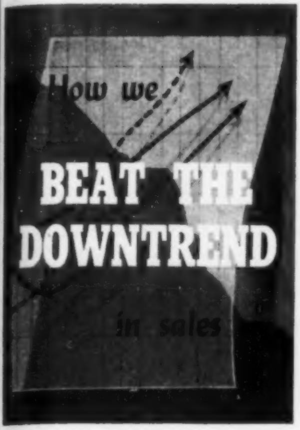
1. Any outstanding selling accomplishment doesn't just happen—it comes from a long period of planning.

2. A basic understanding of your goal and a basic product concept—the purpose your product serves and the place it fits in the market—are musts.

3. Analyzing your sales weaknesses and then doing something about them are among the first requirements.

4. Sometimes that "something" that you do departs from an orthodox, accepted pattern. Necessity can be the mother of sales ingenuity, and sometimes you must dare to be different. The noted advertising man, Charles L. Whittier, expressed this well when he said, "The beginning of greatness is to be different. Conversely, the beginning of mediocrity is to be the same. Similarity flourishes like weeds. But difference must be cultivated like a rare and fragile flower."

5. When opportunity appears, pursue it with all you have. As Shakespeare said, "There is a tide in the affairs of men which, taken at the flood, leads on to fortune."



2. AN INDUSTRY-WIDE EFFORT:

A Unified Promotion for a Diverse Industry

■ ***Donald E. Moore***
Executive Director
Home Improvement Council

THE LAUNCHING of the Home Improvement Council as an industry-wide promotional force for the home repair and remodeling industry coincided almost exactly with the arrival in our economy of the recession scare. Since then, there has been no downtrend of any kind in the home improvement business; in fact, we haven't been able to detect the slightest indications of even a pause in the industry's rate of growth—a growth that has been rather dramatic for several years.

It would be unfair and inaccurate for the Home Improvement Council to take entire credit for the fact that we have felt nothing of the recession, but there seems to be general agreement among participants—national and local—that it had a noticeable effect as a hedge against the slump.

Many of the interests involved in home improvement, especially at the manufacturing level, are also equally involved in the home construction industry. Since that business started suffering rather severely months ahead of other areas of the economy, our activities have been considered, in a sense, an antirecession program.

BEGINNING OF THE PROGRAM

Any review of this industry-wide effort must start more than three years ago. In early 1955, industry leaders and officials of the government's housing agencies decided that a new appraisal of the

significance of the residential modernization potential was called for. They had these considerations in mind:

1. A sharp downturn in construction was at hand. An increase in remodeling would help absorb the materials and men that were obviously going to be available.

2. Even then, the housing boom of the 1960's loomed awesomely large. A build-up in production capacity toward that great day was, and still is, an obvious need.

Those two factors led the Housing Administrator, Albert Cole, to urge that the industry launch an all-out effort to stimulate repair and modernization activity. The United States Chamber of Commerce took up the challenge and called together a group of manufacturers and trade associations to formulate a program, which they dubbed Operation Home Improvement.

The basic objective of OHI was quite simply to move more building materials, more appliances, more heating equipment, more paint, etc., into the market of some 40 million existing homes.

COORDINATING INDUSTRY EFFORTS

Very early in the game, it was decided that OHI would not go directly to the consumer through its own advertising, but would limit itself to providing all segments and all levels of our exceptionally diverse and complex industry with a common promotional theme. The method was coordination. Here, very briefly, are some of the highlights of the activity that followed:

1. 1956 was federally proclaimed "Home Improvement Year."

2. Manufacturers and other advertisers, including more than 10,000 retailers, proceeded to use the theme of OHI—"'56, the Year to Fix"—in their advertising.

3. Home service magazines, women's magazines, mechanics' magazines, farm magazines, and even general magazines were induced to step up the frequency of their treatments of all types of home improvement subjects by at least 100 per cent.

4. Hundreds of newspapers published special home improvement sections, using editorial and retail advertising material supplied by Operation Home Improvement.

5. In more than 1,000 communities, OHI committees were formed to carry on a variety of local promotion projects—the re-

modeling of demonstration houses, contests, etc. Immediate reports indicated that sales increases generated by these projects reached as high as 156 per cent (in the town of Eugene, Ore.).

6. Retailers, contractors, bankers, and others involved at the local level were supplied with a tremendous assortment of display and advertising materials to help them exploit the industry's common theme effectively.

Although Operation Home Improvement had started strictly as a one-year program, the manufacturers running it did extend it into 1957. At mid-year, they decided to quit toying with "temporary" ideas and created the Home Improvement Council.

Over-all, OHI had been resoundingly successful. The manufacturers, the retailers, even the communities who got thoroughly into it reported happy results. A number of local people—especially lumber dealers—in areas affected severely by the new-home slump confirmed that the rapid growth of modernization had more than offset the loss in other business. And participating manufacturers—even though total sales were down to some extent—were quick to recognize that their decreases were far smaller than the slump might otherwise have occasioned.

THE HOME IMPROVEMENT COUNCIL

That, generally, is where things stood a year ago when we were starting to organize the Home Improvement Council. At the outset, we recognized the need for three changes from the OHI pattern:

1. HIC is permanent. The temporary nature of Operation Home Improvement didn't make sense to a lot of people—and it did cause headaches. Now, with a long-range approach, the program is much more consistent and better planned at every step of the way, with more helpful services for all participants. And tie-in efforts can be given the long-range planning needed to do a really thorough job.

2. HIC's program is aimed directly at the consumer—the prospective customer for home improvement and modernization products and services of all types. Where OHI was primarily a matter of coordination and communications within the industry (referred to recently as "the help talking to the help"), the Council goes direct to the homeowner with a plan to get him to start *right now* on the improvement projects he needs.

3. There is direct participation at all levels of the industry. Manufacturers are members, of course. But the dealers, contractors, lenders, utilities, and others at the home-town level who really want to go after this business also have that privilege. The fee they pay for the newsletters, promotion materials, and other services of HIC makes them members.

The key vehicle decided upon for our approach to the consumer was a contest—actually, two separate contests—designed first to interest the homeowner in home improvement and acquaint him with his specific needs, and then to move him to buy.

THE USE OF CONTESTS

The first contest, which we called "How's Your Home?" ran from January through June of this year. In it, the homeowner was asked to examine his whole home from top to bottom, check-listing 117 different modernization needs or desires, then writing a 25-word sentence on why he felt it was important to improve his home.

Here are the results of that first Home Improvement Council project:

1. The 16-page entry blank—in itself a capsuled presentation of home improvement possibilities—was put into 25 million homes.

2. More than 80,000 homeowners took the full treatment and sent in those comprehensive check lists detailing their modernization desires.

3. National magazines supported the contest with more than a million dollars worth of space—much of it containing the kind of idea treatments that are in themselves a stimulus to our business.

4. Some 500 newspapers tied in by publishing the check list in installment form over a seven-week period. Special pages and special sections repeated our story over and over again. And about 1,000 radio stations carried out special activities of their own.

Now, we are conducting the second phase—the "Better Your Home" contest, which will run a full year, to July 1, 1959. In this phase, the entrant must have completed an actual modernization project and must submit "before" and "after" photos for judging. Again, every month, leading magazines are urging their readers to enter. Again, a special newspaper section will harness the separate

energies of newspapers and their armies of salesmen, retailers, contractors, bankers, and all the other forces that can contribute to local exploitation of this kind of national project. We expect 20,000 to 50,000 entrants, each of whom must have visited one of our local members in the process of accomplishing his particular project.

Beyond this promotion program, with contests at the center, the Home Improvement Council has carried on many other public relations and promotion activities, including widespread dissemination of information in various media. And all this activity has cost the industry less than $400,000 in the past 18 months!

MEASURING THE ACCOMPLISHMENT

There are few reliable statistics that can be used as a measure of the effectiveness of our efforts. Few experts even agree on the present size of the industry; their estimates of total annual volume range from $12 billion to $21 billion. With that kind of disagreement, there is little likelihood that we will even be able to say that the HIC has accomplished a 10 per cent increase, or any other neatly nailed-down figure.

Yet we have many indications that this industry-wide program is definitely working. Home improvement lending will be up by year's end at least 10 per cent over last year—which was by all standards a record year. Dealers who belong to our council report sales increases ranging from 7 per cent all the way up to one freak jump of 440 per cent. Manufacturers with products especially fitted for the remodeling market, as opposed to new building, report that those products are, in their words, "leading us out of the woods."

Another complicating factor is that there is no dominant company or group of companies in the industry; no one manufacturer has more than a very thin slice of this multibillion-dollar pie. When we conceive of some project for our leading manufacturers, we are necessarily thinking in terms of about a hundred companies—and there are actually more than 10,000 producers of various home improvement products. That situation makes an industry program at once more valuable and more difficult to administrate.

Also, the industry's distribution pattern—if it can be called a pattern—is impossibly complex and, in many ways, archaic. The

purchase of one end product—that is, one modernization job—may involve the homeowners with as many as 15 different retailers and service organizations.

PLANS FOR THE FUTURE

To approach the problems involved in an industry composed of so many diverse factors, the Home Improvement Council has several plans for the future:

1. We will start immediately the much-needed job of educating retail salesmen and equipping them with effective direct-selling aids. We hope to bring 100 or more leading manufacturers directly into this effort—so that their brand-name materials and equipment will for once be an integral part of the packaged end-product the salesman is selling. In other words, although it is impossible to prefabricate a modernization job, we can at least prefabricate the selling-planning-estimating kit that salesmen need and, by using actual samples and models of our manufacturers' products, make it infinitely more easy for the homeowner to visualize what he is buying.

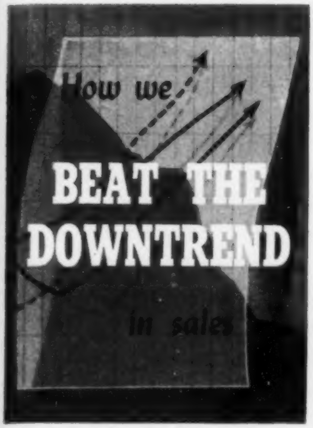
2. We are exploring the possibility of standardizing an estimating procedure, which should contribute immediately to public confidence in our contractors and retailers.

3. We will constantly seek liberalized financing to insure that adequate amounts of money will be available to keep home-improvement loans moving freely.

4. We will, of course, continue to promote, publicize, and perhaps eventually advertise to keep consumers stimulated.

5. Finally, we are preparing a plan that will give immediate and dramatic stimulus to the long-awaited trend toward one-stop merchandising. We hope to be able to certify or in some manner set apart those retailers or contractors who provide complete, reliable home-improvement service, so that homeowners will no longer have to deal with so many different people in buying one job.

Obviously, our industry has a big job to do if it is successfully to tap a potential that has been estimated at more than twice the present volume. The Home Improvement Council will provide the leadership required to do the job—a job that is, almost literally, one of creating a modern industry.



3. A COMMUNITY EFFORT:

Cleveland's "Valuetown, U.S.A." Program

■ ***Dolph Jansen***
Executive Vice President
Gregory & House & Jansen, Inc.

As PART of its gigantic area-wide "Buy Now" Program (from April 15 to May 15, 1958), Cleveland, Ohio, changed its name to "Valuetown, U.S.A." The program was an outgrowth of the highly successful "You Auto Buy Now" program, which also originated in Cleveland earlier this year.

The activity was sparked by the Chamber of Commerce and developed by a steering committee consisting of civic leaders, organization heads, and retail and trade associations. Development of the campaign theme, slogans, promotional tie-ins, publicity activities, etc. was placed in the hands of an advertising committee consisting of top-flight Cleveland advertising agency people. Many ideas and proposals preceded the choice of "Valuetown, U.S.A." and the double-V slogan: "Value for You—Vitality for Cleveland." The objective of the program was to "make Cleveland prosperity leader of the nation."

CARRYING OUT THE THEME

Basic promotion materials consisted of a large window poster and a circular window sticker, printed in brilliant luminescent red and black, which carried the campaign legend and copy saying "It's

Buy-Now Time in Valuetown, U.S.A." Colorful handout pieces for merchant distribution told the campaign story and gave the reasons why "buying now" was good for the consumer and for Cleveland.

General campaign-launching ceremonies included the official changing of the name of Cleveland to "Valuetown, U.S.A.," with Public Square becoming Value Square and Euclid Avenue becoming Value Avenue. Signs at the Cleveland Hopkins Airport and elsewhere were also changed to "Valuetown, U.S.A."

Throughout the campaign, virtually all other civic and trade events, promotion programs, etc. were tied in with the Valuetown theme. The baseball season was opened, for example, with Cleveland's mayor throwing out the first ball appropriately lettered "Buy Now." Parades included Valuetown Buy-Now decorated vehicles. Costumed girls distributed Buy-Now handout pieces. Bob Hope's personal appearance for "Paris Holiday" resulted in special "Welcome to Valuetown" street banners in the downtown area.

A key factor in the success of the program was the offering by merchants of genuine special values. Retailers were urged to really dig and to come up with top-quality merchandise at "once-in-a-lifetime" prices. Relatively good cooperation in this respect was obtained, and most of the values appeared to be genuine bargains.

PUBLICITY AND ADVERTISING

Publicity given to the program by local media was excellent. Newspapers, radio, and television carried heavy advance stories and announcements almost daily. In addition to stories in the regular news sections, feature writers and columnists made frequent reference to the "Buy Now" campaign. References ran all the way from humorous anecdotes to discussions of the serious economic aspects of the program on the financial pages.

The volume of advertising tied in with the program was almost phenomenal. A special advertising prospectus prepared by the Valuetown advertising committee provided tie-in suggestions, sample copy, radio spots, and reproductions of art for the double-V symbol. Newspaper advertising consisted of special full-page ads underwritten by business, full-page support from the utilities, adaptations of regular advertising to the campaign theme, and specially prepared Value-

town ads. Radio and television stations, instead of their usual signatures, announced, for example, "This is KYW, Valuetown, U.S.A."

At the outset of the program, the steering committee recognized that a "Buy-Now" appeal alone would not motivate people to buy. In addition to the values offered by merchants, it was strongly felt that the quality of retail salesmanship would have to be upgraded. Toward this end, a sales motivation committee was formed. Through meetings, bulletins, publicity, and other channels, merchants were made aware of this need. Three specific projects—a daily newspaper feature honoring an outstanding salesman, a top salesman "Oscar" Award, and a city-wide giant sales rally—contributed to the upgrading program. President Eisenhower and Secretary of Commerce Sinclair Weeks sent special messages to be read at the rally.

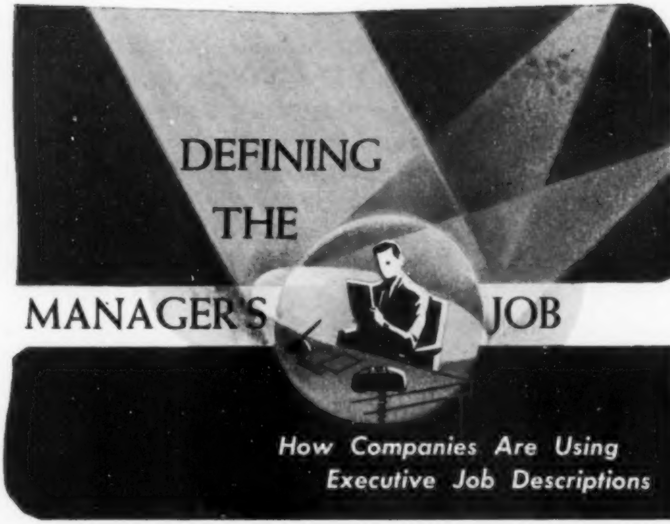
Costs of the printed material used in the program were initially underwritten by the Chamber of Commerce. The costs were subsequently offset by subscriptions from several of the larger local campaign supporters, principally the Cleveland Electric Illuminating Company. About 50 per cent of the material was sold to merchants to help defray costs. The Sales Executives' Club underwrote the complete cost of the sales motivation projects, while individual trade and professional groups financed their own tie-in promotions.

SUCCESS OF THE CAMPAIGN

Results of the program were generally gratifying. The degree of success was definitely related to two principal factors: the extent of participation and the quality of sales effort. As a more specific example of the results of the campaign, a leading local home builder who had been averaging sales of 25 homes per month increased his orders to 60 per month. And one week after the program started, retail buying in department stores increased 25 per cent in Cleveland, according to Federal Reserve Bank reports.

Interestingly, today—months after the launching of the program —"Valuetown, U.S.A." posters and window stickers are still in evidence around Cleveland and in the suburbs. And "Buy Now" still gets into newspaper ads and display pieces. ♦

Ed. Note: The three parts of this article are based on presentations delivered before AMA's recent Marketing Conference on "Beating the Trend with Better Selling."



■ *By C. L. Bennett*

American Management Association

THIRTY YEARS AGO, job descriptions for production workers were still a controversial matter. Today, almost every well-managed business maintains some formal descriptions of the content of production jobs. More recently, job descriptions for clerical workers and first-line supervisors have been gaining acceptance, and they, too, have become almost a standard item of equipment for the modern manager.

How are companies approaching the next step in the evolution of the job description—the description of managerial positions? To find out, the American Management Association recently conducted a survey of current practices among 140 companies that have had considerable experience with position descriptions on the managerial level.* The experience of the respondents to this survey can be of guidance to companies now considering installing their own position-description programs—guidance in determining, first, whether they

* For a complete report on the findings of the survey, on which this article is based, see *Defining the Manager's Job: The AMA Manual of Position Descriptions* (Research Study Number 33, American Management Association, New York, 1958), to be published in December.

need executive position descriptions at all, and second, to what uses they will put a position-description program if they decide it will be a worthwhile tool in their organizations.

MAKING THE BASIC DECISIONS

Before entering into such an effort, an individual firm ought to consider some of the pitfalls and complications that can obviate the benefits of its program. Most of the considerations outlined below were mentioned by the survey respondents; some of them were supplied by firms as their reasons for not having descriptions at the managerial level.

Many firms do not consider it worthwhile to go into managerial position descriptions when the organization is small (say, under 200 employees), has a closely knit, highly personal top-management group, and has little prospect for expansion. In such a situation, duties and responsibilities are fairly well understood, and carefully written delineations of them may be superfluous. Of course, small companies may wish to change managerial relationships and job content; in such a case, position descriptions can be a useful tool.

Descriptions written during a period of spasmodic and unplanned expansion are often wasted, since they are soon outmoded and bear no visible relationship to the actual work being done. However, a company that wishes to undertake an expansion program of an organized, planned nature can use descriptions advantageously as an adjunct to organization planning.

Often, when the first set of descriptions for the managerial group is written, anyone studying them comes to the conclusion that there are considerable overlaps in authority and responsibility, ambiguities in the chain of command, even duplications of work by whole departments. If, at this point, immovable unwillingness to make any changes in basic organization structure is encountered, the descriptions lose much of their value. More simply stated, descriptions can uncover organizational ills, but if the doctor (or the patient) is not courageous enough to attempt a cure, much effort has been wasted.

Managerial position descriptions are probably not worthwhile if they are to be used on one occasion only. A well-considered description project is not a brief matter. It is likely to take a minimum of three months to organize and initiate. It takes several more months

before any sizable number of descriptions are complete (written, compared, adjusted, approved, and distributed). Another three months may elapse before all the "bugs" are eliminated and the program is really part of continuing operations, so that descriptions are revised regularly. It takes approximately an entire year from the starting point to create a program that operates almost automatically, and much of the time and expense involved are lost if it is not used to the fullest possible extent.

Can your company afford such a program? A good one requires the full-time (or nearly full-time) effort of at least one person, and it absorbs considerable work time among the executives whose positions are being described. The out-of-pocket expense increases if an outside specialist is called in. It often takes considerable time to convince the individual manager that executive position descriptions are a tool of continuing usefulness. Thus, management must decide whether the requisite time and money will be well spent in a description program.

HOW ARE DESCRIPTIONS USED?

There have been frequent discussions in articles and books of the uses to which managerial position descriptions can be put, but most of these are either entirely theoretical or are based on the experience of one company or one practitioner. The recent AMA study reports on the actual experience of 140 companies. Participants were asked to state the uses for which their programs were originally planned, and the uses to which managerial position descriptions are put in their companies today. Quite a difference was found between original and present uses, and this tends to indicate that many companies find additional uses for descriptions once the program has gotten off the ground. For example, most of the firms that intended to use descriptions for salary administration purposes only (that is, job evaluation on the managerial level) have found other uses for them, and many of those who did not intend to use the descriptions for salary administration found subsequently that they could be utilized in compensation planning.

The following "composite" quotations, taken from responses to a question on the present uses of these descriptions, give a more specific idea of the ways in which managerial position descriptions

have proved useful to participants. These are not exact quotations of any single respondent; rather, the responses of several participants have been put together to make a complete statement of one idea. (No words or phrases have been inserted.) They are, perhaps, even more illuminating than exact quotations, since each statement represents a group opinion.

These composite quotes do not represent all the ways in which managerial position descriptions have proved useful to the respondents; only the more common statements are summarized. (The number of times each use was mentioned appears in parentheses.)

External compensation comparison. (66 mentions.) "Managerial position descriptions provide a foundation on which to compare positions inside the company with others outside it in order to take full advantage of industry, community, intercompany, interdivision, and other managerial compensation surveys so as to pay salaries in line with the current market."

Internal compensation comparison. (83 mentions.) "Managerial position descriptions provide a basis for executive position evaluation and represent an integral part of a soundly aligned managerial salary administration program, since they crystallize the meaning of the job in the minds of the evaluators. Later, revisions of the original descriptions are used to detect changes in job content sufficient to justify re-evaluating and repricing the position. Written descriptions also assure the incumbents and their department heads that the persons evaluating their work have a proper understanding of the position's duties and responsibilities."

Performance appraisal. (63 mentions.) "Managerial position descriptions form the foundation for a periodic appraisal of the executive's performance of his job. By measuring how completely and how well the executive is carrying out the responsibilities of his position, his areas of strength and weakness can be located and he can be counseled accordingly."

Management development. (35 mentions.) "Position descriptions are a necessary part of a management development program in that they permit more accurate analysis of the requirements necessary for satisfactorily filling an executive position. These 'target' requirements then serve as a guide for selecting, training, and developing the men who may later fill these positions."

Recruiting, hiring, and placement. (51 mentions.) "Managerial descriptions are a recruiting, hiring, and placement aid—since they form the basis for written position specifications which list the requirements that are necessary for satisfactorily filling a position."

Orienting new executives. (54 mentions.) "They quickly and efficiently orient new incumbents to their position and its requirements. Written managerial job descriptions are particularly helpful and comforting to two groups of newly promoted executives: (1) those who are placed in freshly created positions with a job description as their blueprint of responsibility and authority, and (2) those who have been promoted out of the straight line of progression into new posts embodying duties with which they are unfamiliar."

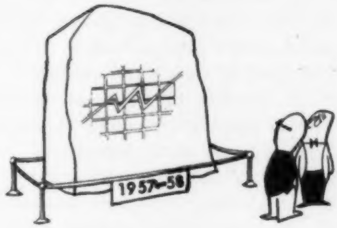
Promotion. (44 mentions.) "Descriptions are used to establish the company's promotional sequences more clearly. In addition, job descriptions are useful when considering an executive for promotion, since they facilitate comparison of the present responsibilities with those in the post for which he is being considered. These two position descriptions, when placed side by side—together with the incumbent's latest merit review—provide an accurate yardstick with which to measure the potential for moving up into the new post."

Self-understanding. (72 mentions.) "They help the executive to arrive at a clear understanding of his position's ramifications and to analyze and assess the relative importance of his various responsibilities and duties. For this purpose, the process of preparing descriptions (and the critical thought, discussion, and self-examination that this step entails) often has as great a value as the finished description."

Organization clarification. (93 mentions.) "They clarify who is responsible for what within the organization, and record the relationships that exist within and between various corporate departments. Where line and functional authority cross, or where there are scrambled facilities within one location, job descriptions clearly written tend to maintain balance and harmony and reduce conflict, since they leave no doubt as to the several executives' responsibilities and authority. Where widely separated facilities must work together, job descriptions establish their most practical lines

(*Continued on page* 77)

LESSONS OF THE RECESSION



By Edwin L. Dale, Jr.

Condensed from The New York Times Magazine

THE 1957-58 RECESSION—the most severe since World War II—is over. The economy has moved decisively upward from the low point reached about last April, is still moving upward, and shows every sign of continuing to do so well into 1959. A post-mortem on the 1957-58 recession, therefore, clearly is in order.

What bolstered consumer demand and pulled us out of the slump? The factors involved group themselves naturally into three broad categories:

1. *Good Luck.* This category consists of items that helped the economy out of the recession without having been adopted or planned for that purpose:

• *The sputniks.* One of the important contributing factors to the slump's beginning in 1957 was a drastic cutback in defense orders that began about July of that year. Then, in October, came the first sputnik and an aroused public reaction. After about four months, the flow of defense orders increased sharply. In the first six months of 1958 these orders totaled $10.8 billion, compared with only $6 billion in the final six months of 1957. There is no doubt that this big surge in defense ordering was a major element in recovery.

• *The highway program.* This mammoth undertaking was gathering momentum when the recession struck. Spending in the first six months of 1958—almost all related to earlier actions taken before anybody had dreamed of the recession—was $2.2 billion, the highest six-month total ever.

• *Government benefit programs.* A handful of little-noticed actions by Congress in 1954, 1956, and 1957, taken for reasons wholly unrelated to the recession, proved a big help in bolstering the total of per-

sonal incomes, and thus of consumer spending.

An increase of $170 million a year in veterans' disability benefits took effect in October, 1957. Changes in the social security law made farmers eligible, and allowed women to collect benefits at the age of 62. And there was a new program of disability benefits.

• *The farm economy.* A number of elements worked toward a higher farm income, none of them associated with government policy.

• *The federal pay rise.* It pumped out about $350 million in lump-sum retroactive payments in July and added $1.5 billion to the annual rate of incomes of federal civilian and military employees.

2. *Built-in Stabilizers.* The second broad category of factors that bolstered demand consists of those changes in the economy—all tending to maintain incomes—that have been legislated into the economy in the past, or have been worked into it by changing ways of operation. There are four main items:

• *Income maintenance for workers.* This, of course, is the most familiar—unemployment compensation. It made up about one-third of the drop in wage income for those laid off, supplying $3 billion to the annual rate of incomes by the second quarter of 1958.

• *Income maintenance for farmers.* Farm price supports effectively insulate growers of several major crops from the effects of oversupply.

• *Income maintenance for the aged.* Every week of every month, more people qualify for social security retirement benefits.

• *Income maintenance for stockholders.* Corporations suffered the sharpest drop in profits in the postwar period during the 1957-58 recession, but they scarcely cut their dividends at all. This is the result of a number of factors, one of the most important being the modern 52 per cent corporate tax rate—which means that half of a loss in profits is absorbed by the government.

3. *Management.* The last broad category of reasons for recovery is the only one that qualifies for the term "management"—things the government did specifically to halt the slump. Only two of these actions had a major effect on the recovery, the others being minor, or having taken effect only after the economy was solidly on the upward path.

• *Easy money.* The Federal Reserve System switched dramatically last November from credit restraint to credit ease. Easy money and low interest rates cannot generate recovery by themselves, but they are almost certainly a precondition for recovery. The nation's money supply did not contract in the recession, as it used to in old-fashioned slumps.

• *Housing.* This is one of the few activities that the government can juggle quickly. The Administration and Congress together took a series of actions reducing down payments in connection with mortgages insured by the government, reviving the moribund G.I. housing program, and even providing $1 billion in mortgage money at subsidy rates through a special emergency program.

Together with the effect of easy money on the mortgage situation

generally, these actions had a tremendous impact. Housing starts hit their low in February and then began zooming in May—in the face of a widespread belief that the market was pretty well saturated and that the recession was frightening potential buyers. There is no doubt whatever that the change in the housing market, in this recession as in the other two postwar recessions, contributed materially to recovery.

The fruit of most, though not all, of these items showed in a single, all-important statistic: personal incomes. While industrial production fell off 13 per cent from peak to trough, personal income fell off only 1.6 per cent. It was actually on the rise from March onward, and by July had passed its former peak. This was the reason for the strength of personal consumption throughout the recession, and thus the explanation of why a vicious downward spiral never had a chance to take hold.

So much for the anatomy of recovery. What has the 1957-58 recession taught us about the modern American economy?

Certainly the most important lesson is also the most obvious: the modern economy is still very susceptible to the business cycle. Nothing has happened to rule out slumps. We shall undoubtedly have more of them from time to time.

This "fact of life" produces something of a split in the academic and political worlds. One school believes that all slumps are a tragic waste and can be avoided by proper governmental measures—both improved built-in stabilizers and vigorous and massive action at the earliest stages of a downturn. Another, and almost certainly larger, school feels mild slumps are preferable to the probable results of the type of governmental action needed to prevent them altogether: namely, inflation far worse than we have had.

Another lesson is that one of the new factors in the economy that was supposed to make us more slump-proof is clearly not as potent as some analysts had thought it.

The new factor, so the theory went, was that modern businessmen schedule their investment in plant and equipment on a long-term basis, rather than change their plans with the first sign of economic squalls. Perhaps some of them do. But enough do not, as evidenced in this recession, to make business investment almost as volatile a part of the economy as ever.

The evidence comes from a comparison of reported investment plans, as surveyed by the government, and actual spending. Total investment spending in the first and second quarter of 1958 was, at annual rates, a whopping $5 billion below the originally reported intentions last fall and winter.

The next lesson from the recession is equally disconcerting. It emerges from the rundown of factors that brought recovery—the tremendous role of luck. Next time, there might not be such a favorable combination of events.

Finally, on the unhappy side, this recession strongly bolstered evidence from the 1953-54 slump that in the modern economy prices are strongly resistant to drops in demand. Price cuts, except in the case of sensitive

raw commodities that operate on a fairly pure supply-and-demand basis, were few and far between. The consumer price index, influenced by "lagging" service prices and by special factors affecting food, actually rose.

But there are also some rather more comforting conclusions to be drawn from this slump.

Again, the most important is perhaps the most obvious: the built-in stabilizers actually work. Mainly because of legislated changes, but partly because of new ways of operating in the modern economy—such as the shifting of the labor force—the economy has strong resistance to recession. The stabilizers will surely work next time, too, though few economists believe they are enough to do the whole job of preventing severe trouble by themselves.

This slump showed, too, what a number of economists have been suspecting for quite some time—that automobiles are by no means decisive in the American economy. The myth of the importance of Detroit is an extremely hard one to shake, but the fact is that production of new cars makes up well under 5 per cent of our total economy.

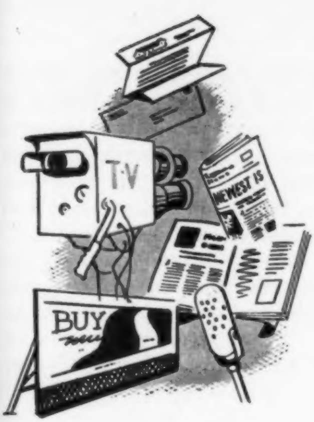
It is true, of course, that the bad reception of the 1958 model cars contributed to the slump (although the money that was not spent on cars was spent on other things, contributing to prosperity for other sectors of the economy, ranging from travel agencies to food processors). But the important thing is that a decisive recovery began and is continuing without any improvement at all in the auto sector.

The next lesson is a bit less clear-cut. But it seems safe to conclude that the "confidence" factor—as it affects the consumer—is working in the modern economy against slump and for recovery. Because of a feeling of job security, or whatever, consumers as a whole kept right on spending all through the slump.

Adding up these lessons from the 1957-58 recession, the observer is almost forced to the conclusion that the ever present threat of a cumulative decline—that is, a severe depression—has not yet been abolished from the system, and that good management, as well as good luck, is going to be required when the business cycle again starts on its ominous way. The American economy clearly has enormous strength and resiliency. But this has not been the last time that it will suffer a severe stomach-ache. ♦

WHEN I WAS RESEARCH HEAD of General Motors and wanted a problem solved, I'd place a table outside the meeting room with a sign: "Leave slide-rules here." If I didn't do that I'd find some engineer reaching for his slide-rule. Then he'd be on his feet saying, "Boss, you can't do it."

—Charles F. Kettering



Advertising Pushes

The Hard Sell

Condensed from Business Week

HEADING into what is sure to be a bitterly competitive year, most companies are planning to bring their 1959 advertising budgets back up to prerecession levels and intend to put more emphasis on the direct-selling types of advertising. That's the gist of a recent *Business Week* survey of advertising managers in scores of companies around the country.

Some of the increases will be substantial. Many more will simply restore cuts made in this year's budgets. Even companies that don't plan sizable increases say they are determined to avoid any further advertising shrinkage.

Some companies will lay out enough extra dollars to meet the rise in advertising costs, keeping their actual print and air coverage at the same level. A few, mostly industrial, will hold the line at the same amount they spent this year.

In discussing next year's plans, most ad managers stressed that budgets were still in the talking stage. And, as this year showed, even an approved budget is far from safe when sales begin slipping.

Knowing that management's eye will be on the sales chart next year, many advertising managers are striving to keep their budgets flexible. Several Milwaukee companies, for example, want to operate on as short a commitment as possible, then jack up their budgets if business improves. One of the country's big industrial suppliers plans to spend only the same amount of money next year as this year, with provisions to pour in more if sales justify it.

On the other hand, many companies, especially consumer goods producers, are basing their budgets on competitive needs rather than on ups and downs in sales. An executive for a major brewery that is raising its ad budget said: "The situation hasn't changed. Competition is getting tougher all the time. There can be no let-up in advertising."

Heavy emphasis on sales aids and on hard local selling efforts, such as dealer promotions and point-of-sale campaigns, is planned by many ad

managers. Industrial firms as well as consumer products manufacturers are adding more money, or budgeting for the first time, for this kind of selling. Said an Omaha ad agency account executive, "There was more money spent for dealer promotion this year than I can remember." He sees the trend continuing next year.

Generally, these efforts are tied in with a national advertising campaign. "A larger chunk of the budget is going to local outlets in the form of pamphlets, window displays, and mat service for local papers," said a Boston agency. "Management seems to be putting pressure on local dealers, then tying it all in with a national promotion."

This kind of thinking is summed up by the advertising director of a big shoe manufacturer: "I see a trend toward more aggressive promotion, toward item merchandising. Retailers tell us that when the price is right, the customers are there to buy."

With their plans geared to the hard sell, companies are backing away from institutional ads. However, not everybody agrees that this approach is entirely sensible. "Corporate advertising was the most intangible and easiest immediate thing to cut out of the budget," pointed out a New England ad man, "though not necessarily the best in the long run."

Despite the strong trend to product advertising, a few companies are fitting more institutional ads into their plans. Standard Oil Co. (N.J.) will run an institutional campaign in magazines and newspapers. And a small Philadelphia chemical company will use company ads to introduce itself to the financial community as it prepares to expand.

But the great majority of companies would agree with a Salt Lake City executive: "We've stopped telling people how good we are for the community. Now we're selling services."

Although no dramatic shifts in media are shaping up for next year, managers are determined to be highly selective. Typical of this determination is the new program of Gladding McBean & Co., Los Angeles, makers of chinaware. A survey showed that 70 per cent of china purchases are made in connection with weddings and that decisions about patterns are made in stores. So the firm is shifting its ads from general circulation women's magazines to specialized publications directed at brides, and backing them up with strong point-of-sale campaigns in stores. ♦

THE BODY TRAVELS more easily than the mind, and until we have limbered up our imagination, we continue to think as though we have stayed home. We have not really budged a step until we take up residence in someone else's point of view.

—John Erskine

The new economic unit coming into being in Europe offers opportunities—and problems—for U.S. companies . . .

THE EUROPEAN COMMON MARKET: *Good or Bad for U. S. Industry?*

By R. D. Raddant
Condensed from The Iron Age

THE EUROPEAN COMMON MARKET is rapidly becoming a challenging reality for U.S. companies active in the markets of continental Europe. Many are making their plans now to capitalize on the opportunities that will be offered by the new economic unit—which is to be formed by France, West Germany, Italy, and the Benelux countries.

The first significant effect of ECM will be a 10 per cent reduction on January 1, 1959, of internal tariffs among the six member countries. In progressive steps, internal tariffs will be cut until, sometime between 1972 and 1974, all tariffs between member countries will be eliminated.

At the same time, common external tariffs will be established and internal import quotas abolished. When the timetable is completed, the six-nation group will be one economic unit, with free movement within the group of goods, capital, and labor.

U.S. businesses now dealing in this area view the formation of ECM with mixed feelings. Most are convinced that it will result in greater prosperity for member nations, with a greater export potential for U.S. materials and manufactured products. But they must face the fact that eventual abolition of internal restrictions in ECM, with no promise of significant reduction of tariffs to outsiders, will place them at a disadvantage in exporting to that area.

As a result, many companies are already re-evaluating their European trade. Two questions immediately arise:

1. What will be the effect of the Common Market on demand for U.S. products?

2. What will be the best method of taking advantage of the new market potential?

Most international trade experts are convinced that removal of trade and economic barriers will have a tremendous effect in developing the economy of the area. Industry there will have to revise its approach from concentration on a small national area to the development of a much larger diversified market. This will have a major impact on plant loca-

The Iron Age (September 18, 1958), © *1958 by Chilton Company.*

tion, capital spending, and manufacturing methods as industry adjusts to the new market demands.

How big is the market? The area now includes about 165 million people with gross product of about $150 billion. By the time ECM is an accomplished fact, it will hit a population of about 175 million with a gross product of $220 billion. In view of the growth rate of European industry, which has exceeded that of the U.S. in recent years, the market potential is exceptional.

But what about tariffs? Many hold that the development of a larger, more prosperous area with a higher standard of living will create a greater market for U.S. goods. They believe that lower external tariffs will evolve, with a greater movement toward free trade through GATT (General Agreements on Tariffs and Trade) and other international organizations.

Others agree, but only to a point. They feel that a major market for machinery and production equipment will emerge early in ECM's development, but that higher comparative tariffs will sooner or later freeze out many U.S. exports. However, it is generally agreed that development of ECM will add to the market for raw materials, which now constitute the bulk of U.S. exports to the ECM area.

The greatest potential of ECM for U.S. industry is in establishing manufacturing operations in the area. It could be in the form of a wholly-owned subsidiary, a form of partnership with a foreign company, or licensing. Licensing is probably the easiest method, but it has its disadvantages. At the end of the licensing period, the licensor is left with no equity in the operation.

Many U.S. companies now active in the ECM area have already started planning the direction of their future operations to take advantage of the Common Market. A good example is Yale & Towne Manufacturing Co., major manufacturer of materials handling equipment, locks, and hardware. The company has a wholly-owned division in West Germany, two divisions in Great Britain (a potential free trade area), and a large licensee in France plus other licensees in the area. William H. Mathers, vice president and secretary, predicts:

"In ECM's initial stages, a lot of machinery and capital will have to flow into the area. But when internal barriers go down and external barriers go up, it will be more difficult for many American-made products to go to that market.

"I don't believe that we will be able to ship the same products we do now. Eventually, they will be able to make lift trucks, maybe not as we do, but they can make them. There is no reason why they can't mass produce."

He believes that any U.S. company planning to export to the area, "has to get in, and the quicker the better." And he points out that for those who already have operations in the area, it's time to start gearing them for the new market. "We are already doing so in Germany, and Britain too, by improving our divisions and building them up."

In both Germany and England, extensive physical expansion of the properties has been undertaken. Early

this year the company held a meeting in France of its overseas executives, licensees, and others involved in the operation. The company analyzed the ramifications of ECM and took steps toward establishing definite policies.

While the wholly-owned subsidiary has its advantages, many believe that some arrangement of a partnership nature with a European company is the best approach. In the first place, the European company already has a working knowledge of the area and its markets. It probably has a substantial operation and it may be much more economical to add to an existing facility than to build from the ground up.

Furthermore, there's the delicate problem of political considerations and national prejudices. In the future, it might be a distinct advantage for the operation to be at least partly controlled or operated by a national group from one or more of the ECM countries. ♦

The Promise of Alaska

TODAY, Horace Greeley might well have said, "Go north, young man." For in the ground of Alaska may lie riches that no other state can match, and in its people a consumer potential that is bound to grow as the development of the new state speeds up.

Economists, engineers, and industrialists believe Alaska's potentials are immeasurable. In the ground are found 31 of 33 strategic materials—among them antimony, chromite, copper, gem stones, iron, lead, mercury, nickel, platinum, silver, tin, tungsten, uranium, zinc, and coal. Alaska's first oil well became operative last year and more are sure to follow, as oil companies are spending around $100 million a year prospecting for wells. Fishing, the biggest industry in Alaska, brings in an annual income of almost $80 million. In the sectors below the northern tundra there is a thriving agricultural industry and an even greater lumber and pulp industry.

The greatest obstacle to rapid development of Alaskan industries is lack of transportation. The chances are brighter now that the new state will get the highways it so desperately needs, since it now qualifies for federal assistance in roadbuilding. In addition, Alaskans can look forward to other forms of federal aid: education programs, school lunches, social security programs, federal farm payments, and minerals subsidies.

On the other hand, Alaska may have to increase its taxes in order to maintain its state government. And it will lose such services as federal law enforcement. Because of its vast area (twice that of Texas and one fifth that of the whole U.S.) and sparse population (not quite 200,000), heavier taxes may well cancel out the benefits of statehood at first. But the development of Alaska will not be long in coming.

—*The Biddle Survey* 7/8/58

How Safe Are Your *company secrets?*

By Alfred G. Larke

Condensed from Dun's Review and Modern Industry

If your company has a secret—and what company hasn't?—hold on to it tight, tighter than you have in the past. According to at least one large detective agency, attempts to steal corporate secrets are growing. As a result, undercover operatives are being installed in increasing numbers to watch employees who might be feeding confidential information to outsiders.

Finding such leaks is no easy task. A considerable number of people may have access to company secrets, patents, contracts, and so on. In the notorious theft of thousands of oil exploration maps from Gulf Oil Corp. (for which two men were convicted on federal charges a few months ago), the culprit was a 48-year-old company geologist with 25 years of apparently unexceptionable loyalty. In another oil exploration case in the Southwest, Pinkerton's National Detective Agency put in an operative who discovered a leak at the switchboard. A telephone operator was earning some handsome pin money by retailing information she overheard to dishonest outsiders.

The variety of motives for such thefts adds to the difficulty of uncovering them. The switchboard operator was betraying her company for cash; the Gulf Oil geologist did it because of a fancied grievance against the company.

The kind of secret involved in oil maps is fairly unusual in American industry. More apt to be kept under wraps are such things as processes—especially the unpatentable or deliberately unpatented ones—future plans, sales volume, executive compensation, and the like.

One way to hold on to a secret is to keep quiet about the fact that there is one. A midwestern company that makes special alloys for the aircraft industry acknowledges that anyone can analyze its product, but hopes that no one stumbles on the process and formula by which it combines the ingredients. Meanwhile, it discourages even the mention of the fact that its alloys are

compounded by a secret process—lest some rival try, not to "steal" the process, but simply to rediscover it through independent research.

The concern that decides to keep a process a trade secret rather than patent it usually fears the patent will be a target for others to circumvent by doing it just a little bit differently. Thus, the blueprints and a model of a certain process of the Ace Electronics Associates, Inc., Somerville, Mass., are kept in a safe, rather than in the archives of the U.S. Patent Office.

A classic example of a well-kept industrial secret is provided by the fish hook industry. There are said to be only three companies in the United States that make fish hooks, and how the barbs are put on the hooks is their secret. A company wishing to use a fish hook as a symbol in a training movie asked each of the three for permission to photograph the hooks as the barbs were put on. Two flatly refused. The third supplied a barrel of fish hooks and suggested a completely deceptive mock-up of an assembly line, which only appeared to be part of the real operation. The movie makers had to be satisfied.

The value of many modern-day business secrets lies more in the existence of a mystery than in what it actually conceals. Thus, the fact that Smith Bros. cough drops have a secret formula may be of more value than the actual formula itself. The marketing value of a secret ingredient is amply illustrated by the wild assortment of initialed and numbered "secret" ingredients advertised in everything from toothpaste, soap, and breakfast foods to gasoline and cosmetics. If your product hasn't got a little X-99 in it, it's scarcely worth carrying to market these days.

Just as important to many a company are its new product designs or new marketing plans. One common method of "finding out" about the competition is by hiring away its personnel. A competitor of a Long Island, N. Y., zipper concern got secret information simply by hiring away a foreman with the offer of better pay. Less common, and certainly more offensive, is the practice of literally listening-in. Three years ago, as yet undisclosed parties tapped the wires of the president of E. R. Squibb & Sons, apparently to try to get a jump on any new products that company might be planning to market in this highly competitive era of "wonder" drugs.

Dissimilar in nature, but likely to be as closely guarded as any other secret, is a company's strike manual—its guide for conduct in time of strife, compiled in time of peace. It's good sense to keep such plans quiet—and not just for self-protection in case a strike does come. The very knowledge that such a manual exists may lead to ill feeling between employer and labor group.

Locks and barricades are one good way of protecting any secret, of course. Pharmaceutical houses have wire and wood fence enclosures and pass systems to protect processes and research that will provide future profits. A midwest manufacturer of components for electric ranges has a sealed room in the middle of an assembly operation—the line runs

through it and only authorized personnel can enter.

E. I. du Pont de Nemours & Company considers the whole process of making nylon confidential, and some of the steps it takes to keep it so are a good illustration of normal methods of safeguarding a process secret. For one thing, employees involved with confidential technical information sign an agreement not to disclose such knowledge improperly. Much of the equipment used in manufacturing nylon has been built to company specifications, and some critical pieces are built by the company itself to maintain secrecy. When the company uses outside vendors, they must agree, as do employees, not to disclose "confidential" information to others. Du Pont even classifies as confidential the use of nonspecialized equipment when used in the nylon operation.

Further precautions are taken to prevent leakage to suppliers, customers, or members of technical associations. Material for publication, such as technical papers, advertising, company literature, and publicity releases, is carefully screened to avoid inadvertent disclosure.

These methods are akin to precautions taken in plants turning out top-secret defense products, and a good guide to such protection may be found in a series of security reports put out by the National Industrial Conference Board in recent years.

At least two other means of protection suggest themselves. One is a good lawyer to draw up iron-clad employment contracts guaranteeing that knowledgeable personnel cannot quit and sell their information without a stiff penalty. Another is a good protection service, such as a detective agency, if the situation warrants it.

Last—and most important—it is well to consider what should and should not be kept secret, as well as what can be. If the top man's wife plays leading lady on a corporate TV show, it would be silly and potentially embarrassing to try to hide the fact. Again, it's usually futile to try to keep bad news a secret. The airlines, for instance, used to think that they could cover up news of crashes by throwing reporters off the scene, refusing passenger lists, and all but denying a crash had occurred. Public relations counsel persuaded them, finally, that the best method is to tell all and tell it quickly. The sooner and the more completely the bad news is told, the sooner it drops out of the headlines and the public mind. ♦

THE AVERAGE AMERICAN spent $1,188 in retail establishments last year, according to Census Bureau figures. Almost a quarter of that amount—$284—was spent in food stores, and another $87 in eating and drinking places. Other categories of retail spending included automotive and service stations ($317), general merchandise ($126), lumber, building, hardware, and farm equipment ($82), apparel stores ($73), furniture and appliance stores ($63), drug stores ($37), and all others ($119).

—Elmer Roessner in *Business Today*

Industry is now spending $300 million a year for air pollution equipment to wage a continuing battle . . .

The Fight for Cleaner Air

By Ray Vicker
Condensed from The Wall Street Journal

A NEW $2 MILLION PROJECT for reducing air pollution now is nearing completion at Dow Chemical Co.'s giant plant in Midland, Mich. When the new facilities go into operation next January, they will "achieve maximum combustion of waste material, elimination of odors, and a minimum release of smoke," according to company officials.

A spokesman for Consolidated Edison Co. of New York says: "We have under construction two new electric generating units, each of 335,000 kilowatts. The bill for air pollution control equipment alone for each unit is $5 million."

Such industry spending to trap smoke, fumes, and gases is symptomatic of the growing awareness of the air pollution problem—and stepped-up efforts to combat it.

Air is polluted in many ways—by combustion in furnaces, open fires, trash incinerators, and auto engines; by industrial processes; and by wind erosion and dispersion of settled dirt, construction material, plant pollens, and ground-up debris such as paper, rubber, and food.

"Contrary to public belief, the largest contributor to air pollution is not industry. It is the individual who complains the most—the resident." That's the opinion of Dr. Haldon A. Leedy, director of Armour Research Foundation and president of the Midwestern Air Pollution Prevention Association, an organization of Chicago executives.

But, because the average industrial plant undoubtedly contributes more to air pollution than the average individual, public pressure is forcing industry to pay more attention to the problem. Industry now is spending $300 million a year merely to install and maintain air pollution equipment at plants, probably more than five times the figure for a decade ago.

"There is more and more federal, state, and local legislation against air pollution, with industry singled out often as the sole or chief culprit," according to William R. Bradley, head of American Cyanamid's aggressive antipollution program. "As a result, there is frequent litigation because of actual or potential pollution."

Armour Research estimates that air pollution costs the United States about $4 billion annually in various types of damage. Air pollution now is recognized by agriculturists as a

cause of crop damage. In the Los Angeles area alone, the estimated crop damage amounts to $5 million a year, while the loss in the San Francisco area is about $1.1 million a year, according to a University of California study. Smog in such cities as Los Angeles has become an economic problem affecting hundreds of industries.

The Air Pollution Control Association, an association of industry's pollution specialists with headquarters in Pittsburgh, estimates that 9,500 communities in the U.S. have an air pollution problem, with 800 of them cities of 25,000 or more population. Rural areas are not immune, although urban centers usually have more of a problem.

Some medical authorities say air pollution may be a cause of lung cancer. Research at the University of Southern California, the University of Cincinnati, and Armour Research showed auto and diesel exhausts may produce cancers on mice. One study showed that cancer of the lung is much more prevalent in copper-smelting cities of Montana than in agricultural areas.

Air pollution is also known to be a definite factor in bronchial ills, eye smarting, and a variety of other medical troubles. Courts have already ruled in specific cases that companies are responsible for cancers produced by on-the-job environmental conditions.

Legislation is giving a strong push to air pollution control. "There has been a tremendous increase in legislation authorizing local air pollution control programs," reports the Council of State Governments, headquartered in Chicago. "More than 2,000 communities now have some legal machinery for regulating air pollution. And 80 per cent of this legislation has been adopted since World War II." About a fourth of the states have organized air pollution programs, while health agencies in most of the remaining states are increasing the scope of their activities in this area.

For many companies, air pollution is a challenging public relations problem. American Cyanamid provides an example of how this problem can be handled effectively. When the company built a new superphosphate plant in Florida, it first consulted air and water pollution specialists to assure that proper controls were being set up. Sampling stations were established to check on plant emissions, with studies due to continue for the next five years. After the most modern equipment available was installed, the company's public relations staff went into action to publicize all the actions Cyanamid was taking to fight air pollution. As a result of this approach to the air pollution problem, the new plant has been completely accepted in the community. ♦

SIXTY PER CENT of the art of command is the ability to anticipate; 40 per cent of the art of command is the ability to improvise, to rule by action instead of acting by rules.

—S. L. A. Marshall

MORE WORK FOR MOTHER:

The Growing Need for Women Workers

By Blake Ehrlich

Condensed from Newsweek

ONE-THIRD of all U.S. women—the majority of them married—are in the working force today. Yet millions more will be needed in years to come if we are to maintain our standard of living.

This is the firmly held opinion of growing numbers of experts. They point out that to support its rising standard of living, the U.S. will have to boost the gross national product to $560 billion by 1965, as against $429 billion today. Even with increased automation, this will require 10 million new workers. Since there will be only 5 million more men of working age by then, womanpower will have to supply half the total.

The growing dependence on women is part of an economic revolution that erupted at the turn of the century and has been influencing the American scene ever since. This year U.S. companies will pay their 28 million (not all full time) women workers some $42 billion in wages. And while the woman's place may be in the home, the fact is that 60 per cent of the working women are married; half of them are over 40 years old. Sixty years ago, half the women in the country passed their entire lives without ever working for pay; now nine out of ten American women hold jobs at some time. High school girls today can expect to spend 25 years at work on jobs ranging all the way from waitress to broker to board chairman.

In recent years, women who have married and quit work have, after a period devoted solely to homemaking, trooped back to the office. Usually they are absent from age 20 to 35 or so, when their families are well established. Today's working mother may be after that fur coat her husband can't afford to buy. Or she may be working for money to buy home improvements or pay for her chil-

dren's education. "This is fast becoming an era of two-job families as well as two-car families," says one observer.

Women can be found on the job today in a Cape Canaveral blockhouse and at a savings bank in Nome, Alaska. More and more of them are getting into top spots, and as important members of the management team, not corporate freaks. The New York chapter of Chartered Life Underwriters, for instance, this summer elected its first woman president, Mrs. Margaret F. Carlsen, a director of Chartered Life Underwriter activities at Equitable. The new president (up from vice president) of the 19-store I. Miller shoe chain is Miss Grace Hill, who has been in the shoe business only seven years. The first woman vice president at giant General Foods Corp. is Ellen-Ann Dunham, who joined the company as a lab technician when she graduated from Cornell in 1932. The general attorney and vice president of Columbia Broadcasting System's radio division is Mrs. Geraldine Zorbaugh, who had previously been vice president for American Broadcasting Co.

The executive suites in the nation's banks are occupied by more and more women these days. There are, for example, 143 female bank presidents and 50 women board chairmen. In all, there are some 10,500 female bank officers, more than triple the number in 1940. The rise of younger men in banking since the war has helped break down the barriers to the promotion of women, according to Miss Dorcas Campbell, vice president of New York's East River Savings Bank. "They are not prejudiced," she says. "Their wives and daughters are employed."

Despite such growing enlightenment, there are still prejudices aplenty against female workers. They may all stem from what Secretary of Labor James P. Mitchell calls "the conflict about the role (homemaker or breadwinner) of women in our society." Male complaints, often shared by the women themselves, range all the way from the matter of female temperament to high turnover and the disruptive effect on the male staff.

The tradition of "men's jobs" and "women's jobs" is also a still potent force despite a partial breakdown during World War II. There are even regional variations. On the West Coast, fish packing is a man's job, but in the orchard valleys, a few miles away, fruit packing is "women's work." In the Midwest, women traditionally husk the corn and men trim it; in the Far West the roles are reversed.

Similar divisions exist in almost every enterprise, sometimes because the jobs are too heavy (some state laws regulate the weights women may lift) or dirty for women to handle. But there some women who simply refuse to be shouldered aside because of their sex. The Census Bureau lists thousands of these unswervable ladies: 2,460 funeral directors and embalmers, 690 auctioneers, 240 blacksmiths, 120 boilermakers, 360 locomotive engineers, 450 plasterers, 4,350 bus drivers, 390 railroad brakemen, 840 sailors and deckhands, 450 bootblacks, and 750 longshoremen and stevedores.

The male-female job breakdown also has blind spots which can't be explained by statistics or logic. Although men seem ready enough to entrust their lives to the skill of women doctors and nurses, for instance, they are generally loath to discuss the arithmetic of death with women life-insurance salesmen. Although department-store managers find that saleswomen do well in children's shoe departments, the best sellers of women's shoes are men. Retailers find this same quirk applies on the floors where major pieces of furniture are sold: Salesmen are more readily accepted by the customer than saleswomen.

Whatever the real or imagined shortcomings of women workers, most big employers need them. Many companies acknowledge the woman's role of homemaker and mother by arranging split shifts to allow more time for family care and granting long maternity leaves, sometimes even including a bonus to help out.

"Every man or woman is an individual and therefore different. Given good supervision there are no greater problems among women than among men," says Dr. Roy Fugal, General Electric personnel consultant.

"Both men and women should be treated as individuals," concurs the personnel director of Pacific Telephone & Telegraph. "But," he adds wryly, "women are the most individualistic people I know." ◆

WHAT'S WRONG WITH COLLEGE RECRUITING?

By Robert N. McMurry

Condensed from American Business

EVERY YEAR large numbers of company recruiters descend upon the nation's colleges intent on their mission of lapping up the cream of the graduate crop. Although there is no doubt that college recruiting is now an accepted ritual, certain uneasy questions about current recruiting practices are being asked by some of the more perceptive workers in the fields of personnel and management development. Do the recruiters—and the companies that send them—actually know what qualities they want in a college graduate? Are they using valid criteria in appraising the men they interview? Are the recruiters themselves picked on a sound basis by their companies?

There is strong evidence that all too often substantial amounts of time, effort, and money are expended in recruiting precisely the kind of man the company should never hire. Perhaps the most serious fault in college recruiting is the failure of companies to tell their recruiters precisely what they are looking for in the way of graduates. The positions to be filled often have not been adequately defined. Although the recruiter may be given a conventional job description and some information about the technical requirements of the job, he frequently is told little or nothing about the extent to which the graduate will be called upon to exercise leadership, make decisions, show initiative, or be creative.

What are the qualities most recruiters look for in graduates? According to a study conducted by Prof. Frank S. Endicott of Northwestern University, the one factor considered most important in hiring college graduates is "Personality," defined as "Poise; the ability to work with people; appearance." The personality factor took precedence by a considerable margin over such factors as "Won high marks in college," "Participated in campus activities," and "Had part-time work while in college."

There is no question that the personality factor is an important one. The problem is: What is personality? Even among professional psychologists the word has so many diverse connotations that it is rarely used without qualification. Among laymen (which includes most college recruiters), the meanings of the term are even more nebulous.

Not only is there little agreement among recruiters as to exactly what

constitutes "personality," but it is probable that few of them have any reliable criteria for measuring this trait in college graduates. More often than not, the graduate's appearance and manner—two notoriously unreliable indices—are the only bases used in assessing this trait.

Much of the inadequacy of the typical recruiter is not his fault. He usually has only from 20 to 30 minutes to talk with each boy, and his management allows him at most two days on each campus. In a great many instances, he has not even been told how to go about a recruiting assignment. He is like the new salesman who is simply told, "Take this order book and go out and get some sales." Without a plan or structure for his activities on the campus, he naturally tends to flounder, waste time, and fail to fill his quota of qualified men.

Without specific criteria to guide him, the typical recruiter is apt to overvalue school grades, academic honors, and recommendations from professors. While these are significant, they represent only one aspect of the man's qualifications. Unless evaluated with information from other sources, they may provide an unbalanced picture of the graduate's over-all suitability.

For the same reason, the inexperienced recruiter may be tempted to place too much reliance upon psychological tests. While tests may provide useful information to use in addition to facts obtained from other sources (the interview, statements of professors, reports of previous employers), their uncritical use as decisive criteria of employability is often extremely dangerous. Unless each test has been subjected to rigorous, scientific validation to ensure that what it measures is consistently a predictor of job success, its findings may be seriously misleading. It is estimated that less than 1 per cent of the companies doing college recruiting have conducted validation studies of the tests they use. Thus, much of the testing now being done is neither reliable nor valid.

Many recruiters never should have been chosen for the job in the first place. Because they assume that anyone can select and hire college graduates, too many companies tend to give the job to the men who can most easily be spared: the hacks and castoffs, the long-service failures, and the superfluous staff men.

These managements fail to realize that the man they send to the campus becomes the symbol of the whole company. The company comes to be judged by its representatives. The recruiter who oversells or—under pressure to fill his quota in a competitive market—gives out job offers promiscuously, not only defeats his primary purpose of obtaining qualified men but lowers his company's standing on the campus.

The fact that much college recruiting is badly done does not mean that it should not be done at all. What is needed is a more intelligent approach to recruiting criteria and to the selection and preparation of recruiters. The improvement of college recruiting will benefit both the young man seeking a future and the company seeking a competent, productive employee with potential for future development. ♦

International air freight offers many advantages to the company that knows how to use it . . .

Overseas Shipping Takes to the Air

Condensed from

International Management Digest

AS JET AIRLINERS begin roaring across the Atlantic, the businessman who flies from New York to London in a few hours may wonder: Can I dispatch my goods this way too?

International air freight by jet is undoubtedly in the offing. Even now, however, international air freight offers advantages to companies who know when and how to use it. In addition to providing speed and special handling, the airlines schedule more frequent departures than steamship lines. Airlines do not require heavy crating; they accept goods on skids or pallets, with only a draping of protective material. Despite this lighter packing, air freight boasts lower rates of pilferage and breakage than does marine transportation. As a result, insurance premiums are low.

Because they feel they have to outperform their long-established marine competitors in giving service, the airlines pay unusual attention to customers' special needs and wishes. This can mean, for example, accepting troublesome cargoes of whole automobiles in order to secure lucrative spare parts traffic. As one carrier explains, "You can't take the carburetors and turn down the Cadillac."

This attentiveness shows up in the many ways the airlines have accelerated the shipping process: developing a single international throughbill of lading; arranging interline reservations on connecting airlines; providing easy damage-claim procedures.

An airline may go to startling lengths to get freight business. One airline sought the business of a U.S. manufacturer who shipped his heavy product to Italy by boat. Discovering that most of the unit's weight was in its cast-iron base, the airline found a German concern to make the base. Now the units are air freighted to Germany for final assembly, then sent on to Italy—at a saving in time and transportation cost.

The mechanics of air freight must be understood before it can be used profitably. There are three different ways to ship by air freight: through a forwarder, directly with the airline, or by chartering a plane.

The freight forwarder (or "consolidator") offers the most convenient method—at the highest price. He delivers the goods to the airport, arranges routing, and oversees any details of the shipment. He makes his profit by charging the shipper the highest rate while he receives a quantity discount from the airline. These discounts are available to all large quantity shippers, but the freight forwarder qualifies for them by combining many small consignments into one shipment heavy enough to take advantage of the airline's "breakpoints"—weights at which the airline offers a lower rate per pound.

Generally it pays to use a forwarder for light shipments falling under the first breakpoint (usually set at 100 pounds). But consider accumulating shipments if the breakpoint offers large savings—on some runs the drop is 50 per cent at the first breakpoint. And check on a forwarder's performance periodically. He may hold up shipments while accumulating weight. Or he may occasionally ship by a roundabout route.

Dealing directly with the airlines (or one of their sales agents) gives you greater control over shipments—plus the advantage of any breakpoints. But airlines must be picked carefully. Many carriers treat air freight as a bothersome adjunct of the passenger business, and carry it only to fill odd space unfit for passengers.

The airlines flying all-cargo craft can be expected to offer more consistent service, and they can accommodate bigger loads. Even among the active freight carriers and the air-cargo airlines, it is important to compare what each offers as to routes, schedules, and equipment.

Chartering a whole cargo plane can pay—if you are a large-scale shipper. Capacities range from about 25,000 to 29,000 pounds, but you still can effect savings with a less-than-capacity load. Since planes are rented on a flat-rate basis regardless of the type of cargo carried, chartering is particularly attractive to the shipper of a high-rate product. However, freighters usually are available only on weekends—and are economical only if one ends its regularly scheduled run near your shipping point. Otherwise, the airlines impose a stiff ferrying charge to bring a cargo-liner to your airport.

While some shippers complain that the airlines have failed to develop a plane specifically designed for cargo, most air freight problems occur on the ground. The airlines can speed goods across the Atlantic in less than a day, then may spend the same amount of time or more getting them delivered from airport to consignee. BOAC, for one, is experimenting with exclusive trucking service in an attempt to break this bottleneck. However, a major roadblock looms at the customs counter: "They think they're still in the steamship days," says an airline official.

But the greatest barrier to air freight expansion still lies in its rate structure. International carriers are bound by IATA—their own regulatory commission—as well as by national aviation boards. With each IATA member enjoying veto power, the lines indifferent to freight volume have prevented the freight-minded carriers from cutting rates.

Jet transports will revolutionize this situation. All international airlines have rushed to order this high-speed equipment to spur the passenger traffic—but the jets will increase cargo capacity as well. Even when carrying a maximum passenger load, the jets will have space for from 8,000 to 10,000 pounds of freight. And their greater speed means many more round trips, further increasing freight potential. Finally, the jets will replace propeller craft for the passenger trade and most observers are betting that the old piston-engine equipment will find its way into the freight fleets. This suddenly expanding capacity will exert an irresistible pressure on all the lines to slash freight rates. ♦

Death of the Old-Time Salesman

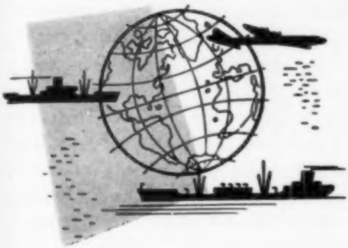
THE MODERN SALESMAN is a completely new breed. He has become domesticated, pampered, highly cultivated, generously rewarded. A survey of 950 top executives of the nation's 300 largest industrial companies, railroads, and utilities shows that about one-fourth have a sales background. Other surveys have indicated that salesmen enjoy greater employment stability than most other professionals.

The modern salesman is a family man, with membership in civic organizations and community betterment groups. He sedulously cultivates pillarhood in the community and avoids the old-time boisterousness as a rabbit would a snake.

In contrast to today's salesman, whose flannel suit is no different from those of the others on the 8:04 out of Westport, yesterday's drummer was recognized on the spot wherever he went. His suit was loud, his patter bright, his portmanteau battered. He was noted for his gay adventures, his worldliness, his stock of racy stories and exciting gossip. He sold his personality more than his wares. A stranger to his loved ones, the drummer was a familiar object of awe to the Main Street sports and a target of suspicion to those with whom he dealt. The traveling salesman was uniquely American, fiercely independent, and highly mercurial. He was part showman, part bunco operator, and part rube.

The process of evolution has muted the drummer's tone. His big black cigar has been supplanted by a filtered cigarette. His hand-painted tie is now a sincere foulard. In place of a "Chicken Inspector" badge he wears a Phi Beta Kappa key. The modern salesman is a serious person. The razzle-dazzle has gone out of his calling, and in its stead has come applied scientific method, which, though it takes the free wheeling out of the job, undoubtedly results in more and better service to the consumer community.

—*The New York Times*



Demand for foreign manufactured goods is causing a major change in U.S. foreign commerce . . .

The New Surge in Imports

Condensed from Barron's

A FUNDAMENTAL but largely unsung shift is taking place in U.S. foreign commerce. From a limited and often reluctant buyer of raw materials, this country suddenly has become an eager customer for finished goods from abroad. Cargoes bound for these shores, once confined largely to such commodities as rubber, coffee, and Scotch whisky, today include a vast profusion of products ranging from small cars to steel.

The new trend, to be sure, has led to heightened competition for some domestic concerns. On the whole, however, the losses undoubtedly have been outweighed by the gains. The growing American demand for imports has opened up new opportunities for businessmen and investors, and it has benefited the U.S. consumer.

Throughout most of the postwar era, shipments to these shores tended to rise and fall with the broad economic waves. Several years ago, however, imports got caught up in a flood tide of their own. From $10.2 billion in 1954, their dollar volume surged in 1957 to nearly $13 billion, an all-time high. Since January, moreover, total imports have slipped less than 5 per cent from this peak, despite such obstacles as a federal quota on foreign crude, a lower price for coffee, and a slump-induced sag in purchases of manganese, iron ore, and other industrial commodities.

What has happened, simply, is that a record-breaking demand for manufactured products, on which duty must be paid, has taken up the slack in consumption of raw materials, on which there is usually no duty. Hence, as the National Council of American Importers points out, for the first time in decades imports of dutiable goods currently equal or exceed imports of duty-free goods.

A ship's manifest of the new imports, moreover, would be both long and impressively varied. For industrial users, it would include electrical apparatus, farm equipment, machine tools, and steel. As to consumer goods, the shopping list would contain, among many others, such items as candy, footwear, art reproductions,

high-fidelity radio sets, sewing machines and, of course, the ubiquitous foreign cars. Perhaps not in a half-century has the Old World had so much to offer to the New.

Stiffer competition has led some domestic producers to seek official relief through the various loopholes of the new Reciprocal Trade Agreements Act. However, the new trend also has had a number of more favorable, if less obvious, economic consequences. To begin with, the sudden burgeoning of a hitherto unsuspected American market has created many new business opportunities, and a few success stories. One example is a vigorous young enterprise known as Atlas Sewing Centers, Inc. Organized little more than a decade ago, the company has built up its Japanese import business until it is today the second largest vendor of sewing machines in the U.S. Another example is a firm called British Industries Corp., which imports from the United Kingdom marine products, technical electronic components, and a wide variety of hi-fi equipment. From a negligible figure a few years ago, sales now have risen to over $7 million annually; earnings and dividends have more than kept pace. Such concerns, to be sure, are scarcely commercial giants. Nonetheless, they can boast as rapid a rate of growth—and as fruitful a deployment of capital—as almost any enterprise on the corporate scene.

Good for businessman and investor, the rise in imports has proved equally good for the consumer. It has whetted his appetite, not only for different kinds of food and drink, but also for the pursuit of leisure and culture. It has made available to him a good many items, notably of wearing apparel, which previously were unknown here. Moreover, through such vehicles as the economy automobile, the motor scooter, and, most recently, the lightweight station-wagon truck, it has bestowed on this country a new dimension in transportation. Foreign products, in short, have given the U.S. consumer greater freedom of choice.

Finally, the shift in U.S. foreign trade could have a salutary effect on economic policy, both at home and abroad. For decades this country has been convinced of its matchless competitive prowess. For at least as long, the rest of the world has fretted over the so-called dollar gap, and what seemed the impossible task of ever bridging it. Now, the recent trend indicates that both the concepts and the policies to which they have led need a serious second look. Buyer and seller alike already have profited handsomely from the surge in imports. Still greater gains, however, remain to be won. ♦

ALMOST $14 MILLION was paid to 434,000 workers last year in formal employee suggestion programs. The companies accepted about one fourth of all suggestions made, reports the National Association of Suggestion Systems after a survey of its 1,163 member companies.

—*Business Week*

What keeps employees from changing jobs? Pensions and benefits, seniority, and SUB plans are some of the reasons . . .

Why Workers Stay Put

Condensed from Fortune

THE EVIDENCE is increasingly clear that U.S. workers are bound to their jobs much more tightly than ever before.

The best indicator of this new rigidity in the labor force is the declining quit rate (the rate of voluntary separations from jobs) in U.S. manufacturing. Before World War I the quit rate in manufacturing was roughly six (per 100 employees) per month. During the 1920's the average was around three per month; during the depression, when jobs were scarce, it was somewhat less than one a month. In 1941, as new job opportunities opened up, the rate began to rise, and during the tight wartime labor market it averaged about five per month. But in the postwar years the rate suddenly began to drop sharply—even though job opportunities were still increasing. By 1949 it was down to an extraordinary 1.5 per cent. From 1951 to 1953 it was about 2.3 per cent, and since then it has remained under 2 per cent, even during the periods of high employment and labor shortage in 1955-56. In 1957, as unemployment increased, the figure dropped to 1.4 per cent.

The recent low rates are especially remarkable because, during the 1950's, women came into the labor force in large numbers. Today they comprise about a third of the labor force. Women as a rule have higher quit rates than men. The younger ones leave to have children, and the middle-aged ones often work only for short periods of time. Since 1950, when separate quit rates for women were first calculated, these have averaged about 50 to 80 per cent higher than those of male workers. Hence the extraordinary low quit rate for all workers is an indicator of a new, unprecedented immobility among men in American industry.

Employee benefit plans are not the only cause of this immobility. The unions' emphasis on seniority has given workers a special stake in their present jobs, for a new job can mean going to the bottom of the seniority list. In the airlines, for example, there is almost no transfer of pilots between lines. The union maintains a rigid promotion system based on seniority, and a pilot flying a high-paying DC-7 on one line would be "reduced" to flying DC-3's on another.

The new supplementary unemployment benefit (SUB) system also reduces the worker's incentive to leave a job. In the past, a man anticipating a future layoff might quit; today he would lose SUB benefits if he did.

The rising age of the labor force, which has not yet been swollen by the millions born in the postwar "baby boom," is another factor; the older workers, earning higher wages, are less likely than young men to pull up stakes. Moreover, a steadily growing proportion of workers are employed by very large corporations —in which a man unhappy with his present assignment, or on bad terms with his superior, can often transfer to another job without having to quit.

But the most important element in worker immobility has been the spread of pension and health and welfare plans in private industry. In 1945, only 5,900,000 workers were covered by private plans. Today, well over 15 million persons are in these plans.

Of these plans, perhaps about half allow for "vesting"—i.e., the right of a worker to claim the accumulated pension money if he leaves before the retirement age. All but a few plans stipulate that a man has to be with the company a long time—ten years, say—before the account is vested in his name. Thus the long vesting period acts as a brake against mobility.

For most firms, low mobility is a mixed blessing. Low turnover means lower personnel costs; older workers are more experienced, and often more loyal to a company. But these advantages are offset to some extent by high pension costs, the difficulties in transferring high-seniority workers, and sometimes lower productivity. (The United Parcel Service in New York City, for example, has found that its older drivers have often lost physical vigor. The company now seeks to induce some men to retire at 55 by offering them the federal social security benefit they would receive at 65, in addition to the company pension.)

One possible solution to this rigidity in the work force is "portable pensions"—i.e., pension credits that can be transferred from one company to another in an industry. In a few industries where there is multi-employer or association-wide bargaining—e.g., baking, trucking, men's and women's clothing—pension plans have been established on an industry-wide basis. The original purpose of the plans was to reduce costs for small employers by spreading the risk. But one by-product might be—it is too early to determine what is actually happening—an increase in job mobility. In the pension plans negotiated by the Amalgamated Clothing Workers, for example, not only can a worker switch jobs within his own industry, say from one shirt factory to another, but he can shift into different types of apparel—e.g., into laundry work or men's clothing, etc. When the Amalgamated member retires, his pension is paid from the various industry funds, the amounts prorated according to the length of time spent at each job.

A different type of plan is offered by the cooperative National Health & Welfare Retirement Association, which offers pension coverage to employees in hospitals, community chests, and other social-service agencies. Individual accounts are maintained for each person, but retirement benefits are paid from a com-

bined pensioners' fund in which no identification is made of the contributions of different employers.

Pooling of pension funds is only one of the possibilities for increasing mobility. Another would be to reduce the period of service required before a man could take his pension funds with him. All such proposals would doubtless mean some immediate increase in costs for industry. But these have to be weighed against the indirect costs of an increasingly inflexible labor force. ♦

Corporate Contributions: Education Gets a Bigger Slice

THE PATTERN OF CORPORATE GIVING has changed greatly in the past decade, with educational institutions getting a much greater share of contributions than before, according to a recently released study on the donation policies of 180 companies made by the National Industrial Conference Board.

Companies have materially expanded their contributions over the years and have come to regard donations as one of the costs of doing business, says the report. Accordingly, many companies are making searching investigations of the basic needs of society and of the agencies which are trying to meet these needs, so that contributions dollars can be directed where they will do the most good. Companies are giving more to education because they are convinced they have a stake in the successful solution of the financial problems now confronting colleges and universities, particularly those whose support is derived from private sources.

The 180 companies included in the study gave $38.3 million in 1955, the year on which the study was based. This amount was spread over a wide variety of agencies. Of every donations dollar, 40.1 cents went to social welfare, 31.3 cents to educational institutions, 10.6 cents to medicine and health, 3.2 cents to civic and cultural causes, 2.1 cents to groups devoted to "The American Way," 0.5 cents to religious causes, and 0.3 cents for international gifts. A miscellaneous category accounted for 4.6 cents, while unidentified funds made up the balance of 7.3 cents.

Among the 163 companies who furnished information on their earnings, 1955 contributions averaged 0.7 per cent of net income before taxes. These companies had a total net income of $5.1 billion and gave away $37.9 million. However, there was wide variation among individual companies—ranging from 0.1 per cent in several companies to 9.1 per cent in one machinery firm.

Direct contributions of dollars often fail to measure a company's total philanthropic effort, the report observes. For one thing, the cost of administering the contribution program is not included in gift totals. In addition, 138 of the cooperating companies contribute the time of their executives and other personnel to assist nonprofit organizations.

—*Office Equipment News* 8/58

A wide variety of specific incentives can be used to solve the common problem of motivating the sales force . . .

How Should Salesmen Be Paid?

By Duane R. Kinas

Condensed from Management Methods

THERE IS ONE SALES PROBLEM common to all companies regardless of industry or product: how do you motivate the sales force? Positive motivation can increase sales and even enable a company to exceed the market average. But there are many different types of sales incentives. Which should you include in a compensation program to achieve the best results?

First of all, let's look at some of the specifications a sound sales incentive program should fill:

1. It should not result in drastic income changes from year to year. Instead, it should produce income progression on the basis of responsibilities and accomplishments. This is a major factor in minimizing costly turnover.

2. It should provide incentives both for developing new customers and keeping old ones satisfied.

3. It should be adaptable to future conditions so that it will not be made obsolete by a new product or market or a change in territory size.

4. It should be simple to administer and require a minimum amount of clerical work.

5. It should be clear and comprehensible to the salesman.

6. It should provide means for measuring sales performance, not only in terms of dollar volume, but in terms of territory coverage, developing future business, meeting shifting sales goals, and adhering to company policies.

7. It must stimulate balanced selling of diversified products.

There is no one best compensation plan that will accomplish these goals for all companies. However, in recent years, there has been a definite trend toward programs including salary and incentives. This type of plan overcomes the major disadvantages of straight commission or straight salary plans, but it does have special problems of its own.

One of these is determining what proportion of total anticipated earnings should be paid in salary. In general, base salary should provide for a salesman's basic living requirements and be large enough to make him feel a part of the organization. Where the salesman's technical background requirements are higher, base salary will have to be higher in order to attract men with the necessary knowledge.

A wide variety of specific sales incentives can be included in a company program. Each has its problems and pitfalls:

Dollar volume, unless tempered with auxiliary incentives, can lead

salesmen to put too much emphasis on high-volume customers at the expense of smaller ones and long-range development of new ones. It can also result in unbalanced selling of diversified products.

Sales over quota is probably the most widely used incentive, although in some cases there is no firm basis for establishing quotas. In setting quotas, management must consider market conditions such as product and territory growth, advertising emphasis, and predicted economic trends that may affect sales. Salesmen have a natural tendency to gripe about quotas, but because they also tend to be optimistic, their forecasts are usually as high as or higher than those set by management after a comprehensive evaluation of market conditions.

Gross or net profit, either company-wide or for a territory, is a seemingly appropriate incentive factor on the surface. However, except for putting emphasis on selling higher-profit items, the salesman has very little control over this factor.

New customers obtained is an incentive factor that must be combined with others so that the salesman is not tempted to neglect old customers in his drive for new ones.

Territory coverage, as measured by calls or by dollar volume per customer, is extremely difficult to administer. For one thing, it requires adjustments for the geographical size and the potential of each territory.

Product mix incentives require adjustment for territory differences in potential for each product.

Any sales compensation program should be strengthened with written policies to cover unusual conditions, such as:

Windfalls caused by unusual conditions peculiar to a particular customer or territory.

House accounts, if special conditions warrant their maintenance.

Returns of merchandise after a salesman has been paid his commission.

Cancellations—which are not usually a problem if commission or incentive is paid on shipment rather than on written order.

Splitting of sales credit in cases where a customer's home office buys for a branch office located in another salesman's territory.

Subsidies for a new man or one performing missionary work or special customer service.

Travel expense control, so that the men in the field have a policy to guide them and management has a measuring stick to evaluate each man's cost of covering his territory.

Call reports, itinerary reports, and special reports covering such subjects as territory conditions, territory potentials, competitive activity, and product acceptance. ♦

IN A LIVING CIVILIZATION there is always an element of unrest, for sensitiveness to ideas means curiosity, adventure, change. Civilized order survives on its merits and is transformed by its power of recognizing its imperfections.

—Alfred North Whitehead

Pinning Down MATERIALS HANDLING COSTS

By Ernest A. Fair

Condensed from Plant Administration

LOOMING LARGE in the total cost picture, materials handling costs are among the most difficult to pin down and control. This is a particularly challenging problem when management needs an accurate picture of these costs in order to evaluate the possible advantages of new methods of materials handling.

Such an evaluation calls for a thorough comparison of the cost figures for the old and the new methods, including the following factors: labor expenses, labor hours, material used, material units, and overhead. Comparison of the two sets of figures will show the gross saving—if any—that can be achieved with the new method. Net saving per year can be calculated by deducting depreciation according to the tax schedule.

Many firms use the applied percentage method to show handling costs, because a great part of the actual handling expenses of a plant are hidden within other production operations. Under the conventional cost system, a certain percentage figure is applied to materials as they are received, processed, or completed. Another method is the production order system, under which the cost of material handling is added to the actual cost of the basic material as it is transferred from one order to another.

In considering new materials handling methods, it is important to make an accurate comparison of the operating costs of the handling equipment involved. The units being compared should be analyzed side by side for periods long enough to provide accurate cost figures. Some firms put each piece of equipment through as many as three different test runs to get a precise correlation between fluctuations of costs and fluctuations of production volume.

The first basic cost to be calcu-

lated when considering new handling equipment is the capital investment required. This should include the following items to be completely accurate: invoice price of equipment, installation charges, maintenance devices needed, fuel and/or power facilities, alterations to present facilities, freight and other transportation, design work needed, and supplies and credits from sale of abandoned or replaced items involved in the change. These, when totaled, will give the estimated increase in assets or the total capital investment required.

Second, determine the probable fixed charges by taking into account these items: depreciation involved, interest on investment required, property taxes, insurance charges of all types, cost of supervision and control, clerical cost of providing necessary paper work, and maintenance personnel.

The third step is to figure the variable charges involved in each of the proposed equipment handling units. These charges should include: operating personnel, power and/or fuel costs, lubricants, maintenance labor, and maintenance parts and materials needed to keep the units in operation.

These three groups of figures will give the total annual charges involved for each unit of handling equipment under consideration. It is usual to break total costs down in terms of either the cost per unit of salable merchandise or the cost per unit shipped for which the carrier must be paid, including container and merchandise.

Two cost elements that are often figured too low are operating personnel and maintenance labor. For operating personnel, all expenses involved in keeping an employee on the payroll should be included, such as social security, payroll charges, medical care, and so on. In figuring maintenance labor costs, maintenance work on supplies required for use with handling equipment should be included, as well as charges involved in the use of perishable tools and equipment. ♦

Any Questions?

NOW THAT THE RECESSION is on the way out, we may happily be hearing less of the economic gobbledygook with which we have been assaulted during the past year. As a last horrendous reminder, here is a *Chicago Tribune* writer's impression of what most of it sounded like:

"It should be noted that a slowing up of the slowdown is not as good as an upturn in the down curve, but it is a good deal better than either a speedup of the slowdown or a deepening of the down curve. It appears that the past buildup in customers' input has caused the present dropoff in steel output, which is to say that because customers did not put in more, the steel producers put out less. This caused a short-term descent in the long-term ascent. But the indicators suggest a leveling off, referred to on Wall Street as bumping along rock bottom. This will be followed by a gentle pickup, then a faster pickup, a slowdown of the pickup, and finally a leveling off again."

Putting Workers on the Communications Team

TO SOME COMPANIES, the fact that workers are more likely to accept what they hear from their fellow employees than what they hear from management is a source of constant frustration. But one company, Hamilton (Ohio) Division of Baldwin-Lima-Hamilton Corp., has turned this problem into an asset by setting up a special six-man employee-management committee.

Management is represented by the assistant general manager, the factory manager, and the industrial relations manager. Employees are represented by three respected plant workers, all union members but not stewards or members of the grievance committee. (Management feels there would be a difficult conflict of interest problem for union officials if they were put on the committee.) At the committee's monthly meetings, employees present ideas for improving company operations, and management reports the current business trends, the company's competitive position, and any plans for changing operations. The three employee representatives can convey management's story to their fellow workers in any manner they choose.

The system has shown solid results: It took only five brief meetings for management and the union to agree on a satisfactory new contract last year.

—*Factory Management and Maintenance* 9/58

I Hear You Calling Me . . .

DOUBLED PRODUCTION RATES in assembling short-run electrical and and electronic apparatus are now claimed for a new system named AIMO—Audibly Instructed Manual Operations. This system, developed by Westinghouse in cooperation with Dictaphone Corp., eliminates the need for detail blueprints because the assemblers are told what to do by tape recording.

Instructions, which are recorded by a production engineer studying a blueprint, are played back by a recording machine at the workplace and transmitted without wires to a tiny receiver carried in the assembler's pocket and wired to a button-type speaker worn in his ear.

Among the advantages claimed for this technique are these:

- Reduction in learning time
- Less drafting time for detailed assembly drawings
- Higher productivity, since the worker isn't as likely to be distracted by outside noises
- Greater freedom of movement, since the worker isn't tied to a blueprint
- Less blueprint storage space is needed.

Since the worker starts each instruction by pressing a button, he can set his own pace. If he doesn't understand a point, he can quickly reverse the tape and listen again.

—*Dun's Review and Modern Industry* 8/58

Many companies frown on the idea of corporate Christmas gifts, but even in those that don't, gift-giving can create ill will when it is handled in a hit-or-miss fashion . .

Planning Your Christmas Giving

Condensed from Printers' Ink

U.S. COMPANIES will invest well over $2 billion in gifts this year, most of it at Christmas time. The sentiment and spirit of the season notwithstanding, these expenditures must be regarded as part of promotion budgets. Yet probably no other type of promotion is handled so haphazardly.

One executive has received the same gift, an ice bucket, from the same company three years running. Another, who doesn't drink, receives several bottles of liquor each year.

Such examples of hit-or-miss gift-giving are innumerable. Each year, one New York City secretary is sent out on a gift-hunting expedition by her boss, who tells her only to "go wild, $2,000 worth." She's a competent and imaginative girl, but she hasn't the slightest idea who will receive the gifts she buys.

Companies that supply merchandise for corporate gift-giving are well aware of the problem. This year they will put more promotional emphasis than ever before on plans that enable the recipient to select his own gift. Recently, for example, every member of a well-known credit club received a catalog and promotional literature from one of the largest companies in the gift supply field. Under a new arrangement, members will be able to send out gift-coupon booklets and be billed by the club. Each booklet lists 30 items in one of five price categories. The recipient selects a gift, indicates it on a card in the back of the booklet, and sends for the item.

The five price categories range from about $9 at retail to about $60. (The prices, of course, are not indicated in the gift booklet.) In the $9 category are such items as a knife set, a bath scale, and a dictionary. The $60 category includes a motion-picture camera, a bicycle, and a rotisserie.

A number of other gift supply firms also offer self-selection plans. In addition to insuring that the recipient gets something he really wants, these plans eliminate a possible source of embarrassment. When gifts start tumbling into offices at Christmas time, they stir up attention. Inevitably there are comparisons and comments. A gift booklet can slip in to the recipient unnoticed by other employees.

Another way of avoiding touchy situations is to learn the recipient's home address and send the gift there. More and more companies are following this practice.

The home is becoming more significant in another respect as well. The man who receives a gift booklet usually takes it home and lets his family help him decide. As a result, such items as toys, steam irons, and power tools are among the most popular gifts in the self-selection plans, although they don't sell well to donors who select the gifts themselves.

While the growing emphasis on self-selection plans is expected to increase corporate-gift volume this year, the great majority of gifts are still selected by the donors. Last month most of the major gift houses loaded the mails with their full-sized catalogs. An idea of the enormity of the field is provided by the fact that one company alone sent its 600-page catalog, listing 12,000 items, to 300,000 companies across the country.

Despite the size of gift catalogs, companies in the field report that only a few dozen products account for most of the volume. Usually they're the same items year after year, plus a few highly distinctive new products.

However, some businessmen make special efforts to tailor their gifts to the individual recipient. One executive makes notes throughout the year on the sizes, interests, and tastes of the customers he deals with. These notes guide his gift-buying at Christmas—custom-made shirts for one, recorded classical music for another, and so forth.

In their search for something original, gift-buyers give new kinds of products a big play. Transistor radios have been hot-sellers in the past few years. This year, RCA-Victor expects stereo record-players to sell well to buyers of big-ticket gifts. Eastman Kodak is counting on its new camera models to help it keep its substantial share of the corporate gift market.

Most large companies that sell through established retail channels hesitate to sell direct to business-gift buyers. They channel routine requests for information to local distributors. As the sales manager of a major appliance company observed: "We don't deal in small purchases. If someone is in the market for 150 color television sets, we sell to him. But we make sure the sets are used as gifts and don't find their way into nonauthorized stores." ♦

WITH ASIATIC COUNTRIES LEADING THE WAY, the volume of world industrial output—excluding the Iron Curtain countries and Red China—scored an increase of 18 per cent in the period from 1953 to 1957, according to United Nations data. In the 16 Asiatic countries included in the study, the volume of mining and manufacturing output rose 56 per cent during the four-year period. Western Europe registered a gain of 32 per cent, and Latin America almost matched that with 31 per cent. Although the gain by the United States and Canada was only 7 per cent, this represented a sizable increase in absolute terms, since these two countries are responsible for 57 per cent of the free world's industrial production.

—*Commerce* 10/58

ALSO RECOMMENDED

BRIEF SUMMARIES

of other timely articles

GENERAL

CAPITAL GOODS: THE ENERGY EXPLOSION. By Charles E. Silberman and Sanford S. Parker. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), November, 1958. $1.25. Capital spending by the energy industries is leading the capital goods upturn, the authors say, and the rate of growth of their capital expenditures is bound to continue. In this article, they analyze the four energy groups and predict what lies ahead: in oil, an annual rate of expenditures of $8.5 billion five years from now; in natural gas, capital spending of some $2.6 billion in 1963 and $3.2 billion by 1967; in electric utilities, a drop from this year's $4-billion-dollar level of capital expenditures, followed by an upturn in 1960 and thereafter; and in coal, expenditures this year of $150 million, but a rise to as much as $500 million annually during the next two decades.

MANUFACTURING TEAM FOR AUTOMATION. By D. J. Yomine. *Automation* (Penton Building, Cleveland 13, Ohio), August, 1958. $1.00. Organization is necessary to get the design for a new or revised product into production with adequate consideration of the economics of automation, the author says, even though the number of people involved and the degree of organization required will vary with the conditions of a particular business. In this article, he describes how one company (Bell & Howell Co., Chicago) has achieved the necessary teamwork and points out some guide-posts that can be helpful to both small and large companies.

THE APPLICATION OF MANAGERIAL CONTROLS IN SELECTED BUSINESS FIRMS. By Raymond J. Ziegler. *Advanced Management* (74 Fifth Avenue, New York 11, N.Y.), August, 1958. $1.00. Citing the results of a survey of 63 companies in the Milwaukee-Chicago area, the author maintains that managerial controls in actual practice lag far behind the recognized principles espoused in management literature. Reporting that standards are often formulated on a hit-or-miss basis and that control applications are frequently weakened by being assigned to the executives responsible for the activities they are asked to control, he discusses some of the control inadequacies the survey uncovered in the areas of organization, policies, appropriations and disbursements, operations, and industrial relations.

SELLING TO UNCLE SAM. By Frank M. Kleiler. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), October, 1958. 50 cents. As the world's largest user of goods and services, the United States government might be your best customer, the author says, but competition is keen, and the advantage lies with firms that not only have good products at competitive prices but are also diligent in following official procedures. In this article, he outlines the procedure for getting on bidders' lists for government contracts, and includes a useful list of publications, obtainable from various government agencies, that are designed to acquaint businessmen with the process.

INDUSTRIAL RELATIONS

REGIONAL WAGE DIFFERENTIALS. By H. M. Douty. *Industrial Development and Manufacturers Record* (109 Market Place, Baltimore 2, Md.), September, 1958. $1.00. While wages generally are higher in the North than in the South, many factors must be taken into account before any specific regional comparisons can be made. In this article, the Chief of the Division of Wages and Industrial Relations of the BLS traces variations by occupation, industry, and other factors that must be taken into account. He finds not only that the traditional wage gap between North and South has ceased to exist for certain industries and jobs, but that wages paid some workers in the South actually exceed levels prevailing elsewhere in the country.

PERSONAL JOB ANALYSIS. By C. O. Hollingshead. *The Journal of Industrial Engineering* (145 North High Street, Columbus 15, Ohio), August, 1958. $2.50. Pointing out that it is commonly recognized that many people in technical and clerical positions have trouble finding time to perform all their essential tasks, the author says that most of these employees realize that beneficial changes could be made if there was more knowledge about the impediments to accomplishment. In this article, he describes a technique by which each individual can collect essential information about his own job that will enable the position to be analyzed and improved to permit a better utilization of time—and hence assist in the alleviation of pressing shortages of clerical and technical personnel.

THE NEW FRINGE: SAVINGS PLANS. *Business Week* (330 West 42 Street, New York 36, N.Y.), September 6, 1958. 50 cents. The fringe benefit that may sweep industry next, according to this article, is the thrift plan, whereby employees' savings are matched in whole or in part by management, with the combined money turned over to a trustee for investment in government bonds, company stock, other common stocks, or a combination thereof. The article describes the basic patterns of these plans, which have recently been adopted in from 30 to 50 companies, with GE the most recent to announce it will put one into effect.

OFFICE

THE MODERN OFFICE: INDUSTRY'S NEW PROFIT FRONTIER. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), September, 1958. Reprints 40 cents. A comprehensive picture of how companies of every size are profitably revamping their office operations is presented in this special 70-page section. The six articles in the feature offer: (1) a look at the big changes taking place in paperwork operations; (2) a rule-of-thumb guide to proper office equipment for paperwork jobs of various types and sizes; (3) a survey of detailed office plans and procedures; (4) a description of some of today's most advanced offices; (5) case histories of how companies are getting better and faster information by taking advantage of the latest equipment; and (6) a rundown on current developments in the clerical personnel field.

HOW YOU CAN MECHANIZE YOUR FORMS CONTROL. By Ida Welch. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), October, 1958. 50 cents. A step-by-step account of how one company (Miller Brewing Co., Milwaukee) inaugurated a new forms-control program to keep better track of the 1,573 different forms that had grown up through the years. By utilizing tabulating cards in place of the old manual system and by in-

augurating four types of register (use application register, departmental register, obsolete forms register, and forms register by function), the company has been able to provide a wider range of services at less cost than would have been possible by perfecting their existing manual method.

PRODUCTION

THE COMING REVOLUTION IN MACHINE TOOLS. By Melvin Mandell. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), August, 1958. 75 cents. Numerical control—the guidance of machinery by means of instructions on punched cards, punched tape, or magnetic tape—is the coming thing, the author says, and half the machine tools in the country may be equipped with this complex innovation by 1963. In this article, he outlines some of the advantages and disadvantages of numerical control, describes its uses in industry today, gives examples of production savings that have already been achieved, and discusses the future prospects and consequences of this revolutionary technique.

WHERE INDUSTRY STANDS TODAY IN MAINTENANCE MANAGEMENT. By Carroll W. Boyce and Carl G. Wyder. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), Sept., 1958. Reprints 50 cents. This 18-page feature, the second of two reports on *Factory's* survey of maintenance management practices in 359 representative plants, provides detailed information on industry practices with regard to the size of the maintenance force; maintenance organization and reporting relationships; training; use of specialists; controlling costs of maintenance; pay differentials between maintenance employees and staff and supervisory personnel; and company policies in updating plant facilities.

ARE YOU PLAYING WITH FIRE? By Tex Metaxas. *Mill & Factory* (205 East 42 Street, New York 17, N.Y.), October, 1958. 60 cents. Despite the large body of fire-prevention knowledge and the efficient equipment that is available, industry is still suffering tremendous losses from fire—more than $200 million annually. Pointing out that compared to the cost of a fire the cost of a protection system is insignificant, the author describes a system of fire prevention that has consistently been rated "excellent"—one that stresses the prevention of fires, controls hazardous work, uses a worker fire brigade and a variety of equipment, staffs all strategic posts, minimizes damage, alerts the plant and town fire departments, and insures that all workers will get to safety in the event of a fire.

MARKETING

105 ULCER REDUCERS FOR EXHIBITORS. *Advertising Requirements* (200 East Illinois Street, Chicago 11, Ill.), September, 1958. Reprints 25 cents. Bringing together the best material previously published in *Advertising Requirements* on the subject of exhibiting at a trade show, this special feature presents 105 pointers on: planning a convention exhibit; designing the booth; promoting the exhibit; crating and shipping; installing and dismantling the display; and manning the booth.

HOW DOES ADVERTISING AFFECT SALES AND COMPANY GROWTH IN RECESSION AND BOOM? *Printers' Ink* (635 Madison Avenue, New York 22, N.Y.), August 29, 1958. 25 cents. Which are better off in the long run—

the companies that concentrate on direct selling and cut their advertising expenditures in times of business slumps, or those that keep their ad budgets high regardless of recessions or individual business setbacks? To answer this question, *Printers' Ink* reports the results of two surveys that indicate that (1) companies that spend most for advertising over a span of years experience faster growth; (2) in general, companies that increase their advertising during a recession are the first to recover; and (3) continuously increased advertising expenditures are ordinarily paralleled by similar increases in sales volume.

HOW TOP ADVERTISERS PRICE NEW PRODUCTS. *Tide* (386 Fourth Avenue, New York 16, N.Y.), August, 1958. 50 cents. There are no uniform pricing axioms, because each company and each industry faces a different set of influencing factors, but there are several rules of thumb that can be learned, according to this article. Reporting on the pricing policies of 20 major U.S. firms, this special feature may suggest some practical solutions to common pricing problems as it analyzes the complex and all but unexplored "art" of pricing as practiced by these advertisers.

SEVEN WAYS TO BUILD SALES WITH A TELEPHONE. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), September, 1958. 75 cents. Faced, during the recession, with the necessity of giving declining sales volumes a quick (and rather easily administered) shot in the arm, many sales managers rediscovered a neglected sales-builder—the telephone. Illustrated throughout with case examples, this article discusses various types of special telephone promotions and some tested methods of telephone selling that can be used on a continuing basis.

A BASIC GUIDE TO TELEVISION COMMERCIALS. *Advertising Requirements* (200 East Illinois Street, Chicago 11. Ill.), August, 1958. 50 cents. With television now reaching almost 90 per cent of all American families, it has become a medium that few companies can afford to ignore, according to this guide for advertisers. Setting forth the basic rules for preparing commercials for television, the article discusses types of commercials—filmed, live, animated, syndicated, etc.—videotape, and public relations films, pointing out the problems and advantages of each and the average amount of money that the use of the various techniques will involve.

PACKAGING

A THEORY OF PACKAGING IN THE MARKETING MIX. By William R. Mason. *Business Horizons* (Bureau of Business Research, Indiana University School of Business, Bloomington, Indiana), Summer, 1958. $2.00. Too many policy sessions on packaging waste valuable time on minor decisions, the author declares. Here he analyzes the six basic functions of any package, and—since no package will perform all functions equally well—presents a general theory to help managers reconcile merits and disadvantages and make sound decisions between alternative packages.

HOW MUCH RESEARCH? *Modern Packaging* (575 Madison Avenue, New York 22, N.Y.), September, 1958. 75 cents. Research in packaging is a haphazard business in some 90 per cent of U.S. companies, if the 1,074 corporations recently surveyed by *Modern Packaging* can be considered representative. Among other conclusions, the results of this survey of how much packaging research is being done, how much it costs, and how much it contributes to increased sales indicate that: (1) eight out of ten packaging companies use packaging research to some extent, but 64 per cent use it only on occasion and have no

planned program; (2) among companies with a planned program, expenditures for packaging research average about three-tenths of 1 per cent of sales; and (3) sales increases for companies that have used packaging research for at least ten years have been nearly double the average increase.

FINANCIAL

THE ADVERTISING BUDGET. By Frank D. Robinson. *The Controller* (2 Park Avenue, New York 16, N.Y.), August, 1958. 65 cents. Advertising programs must take into account two elements that seem to be frequently overlooked, the author says—the effect of competitors' advertising, and the fact that the degree of advertising effectiveness fluctuates in some relationship to the general business cycle. Pointing out that mathematical techniques have been developed to solve problems involving the determination of the best of several alternative courses of action, he describes how this "game theory" can be useful in determining how much a company should spend for advertising.

HOW 1958 LAWS CHANGED TAXES. *Business Week* (330 West 42 Street, New York 36, N.Y.), September 20, 1958. 50 cents. Two important federal tax laws affecting thousands of businesses were put on the books this year, marking the first comprehensive overhaul of the tax code since 1954, reports this article, which predicts that the net effect of the changes will be to provide taxpayers with an estimated $350 million in savings the first year alone. The article presents a brief description of the major provisions of the new statutes, one dealing with excises, the other with general technical revisions in tax laws for both individuals and corporations.

FOREIGN OPERATIONS

ORGANIZING TO PROTECT YOUR PROFITS OVERSEAS. By Alexander O. Stanley. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), September, 1958. 75 cents. Any company planning to invest abroad should carefully explore the tax exemptions and exceptions that are available to internationally active companies within the framework of the U.S. Internal Revenue Code, suggests the author. Pointing out that a blueprint for developing acceptable overseas organizations actually exists within the Code, he describes the advantages and drawbacks of each of the four basic types that offer immediate or eventual tax benefits: (1) U.S. corporation operating through branches abroad; (2) the Western Hemisphere Trade Corporation; (3) the Section 931 corporation; and (4) the foreign corporate subsidiary.

HOW TO PROFIT IN FOREIGN MARKETS. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), September, 1958. 75 cents. The highlights of a tape-recorded interview with James Carmichael, president of Scripto, Inc., whose sales abroad represent about one-fourth of the company's $25 million annual volume. Among the subjects discussed are the company's reasons for building foreign plants rather than shipping overseas in all cases, its relations with various foreign governments, currency questions, problems in establishing and staffing manufacturing units abroad, and the special need for flexibility and imagination on the part of managers engaged in foreign operations.

Management Faces the Challenge of Change

(Continued from page 8)

advertising and selling costs that go into promoting the new models of all our American businesses.

Thus, the search for more volume at favorable prices to pay for fixed costs feeds on itself: it creates additional fixed costs, which in turn stimulate the search for more volume at favorable prices.

The emphasis placed by managers on planning and their willingness to spend large sums in the present for future return indicate two beliefs: first, that the future is bound to be very different from the present; and second, that to be successful a company must constantly assess and prepare for the changes that are coming. The ways that managers plan and control reflect their acceptance of change as one of the facts of life.

The manager who succeeds in maximizing profits and minimizing risks is the one who develops managerial techniques that are appropriate to the specific situation he faces. However, there are certain common aspects of the managerial job that are essentially reactions to long-term trends:

1. Applying new concepts to long-range planning.
2. Sharpening expense controls.
3. Considering mergers and acquisitions.
4. Improving management information.

LONG-RANGE PLANNING

Managers are recognizing long-range planning as a distinct activity, and a number of companies have established planning departments.

One reason for this development is the growing realization that long-range planning is full of risk. The longer the planning cycle becomes, the greater is the margin for error: The planner is forced more and more in the direction of imagining the future, and less and less in the direction of being disciplined by actual transactions in the market place. And penalties for guessing wrong may be drastic.

Nevertheless, businessmen are accepting the fact that they have

to plan for longer and longer future periods. In many companies, a minimum of five to seven years is required to complete a full planning cycle, which begins with product development, follows through the design and building of plant, undertakes penetration of the market, and ends when production and distribution on a profitable basis have been achieved.

The planning department established to cope with such problems may use the services of economists, engineers, scientific consultants, market analysts, and financial and accounting personnel. The department head is responsible for keeping his company alert to trends in the national economy, to technological developments affecting the company's business, and to opportunities for providing new or altered goods and services. He may also investigate and appraise the attractiveness of possible mergers and acquisitions.

Long-range planning departments are organized differently in different companies. Some are rather fully staffed, but it is more usual to find the department acting as a coordinating unit to draw together the knowledge existent in other departments of the company.

However, it is the concepts used, rather than formal organization, that make long-range planning effective. These concepts are used to a greater or lesser degree in several effective long-range planning installations:

1. The life cycle of a product line
2. Choice among alternatives
3. Maximum-minimum limits
4. The dollar model of the business.

Life-Cycle Concept

The life-cycle concept holds that product lines are born, grow, mature, and sometimes decline and disappear. At least three stages of existence are discernible in the life of any product.

The first is the stage of *innovation*. The introduction of the product is followed by a large number of innovations in products, processes, and approaches to the market. Volume at favorable prices grows rapidly. Profits are high. Individual companies expand rapidly. Competition is attracted to the field. Emphasis is on rapid product improvements and the development of new product applica-

tions. Start-up expenses and cash demands are heavy in this stage.

The second stage is one of *shakeout*. A decreasing rate of innovations gives competition a chance to "catch up." Thus, several companies develop nearly equal competence in meeting industry standards of product quality, pricing, service to customers, and the like. Capacity exceeds demand. Even though total industry sales may be increasing, there is downward pressure on prices, and profits diminish. Those companies least able to compete either withdraw from the field or are absorbed by merger.

The third stage is one of *maturity and consolidation*. The industry may be dominated by a relatively small number of major producers. The rate of growth of the market tends to slow to the rate of population growth. Innovations are relatively minor and infrequent. Prices and profits are relatively stable, responding to general economic conditions rather than to specific industry conditions. The emphasis is on increased efficiencies and control of costs. Surplus cash, which can be invested elsewhere, is generated because of the reduced requirements for investment in a mature industry.

Using the concept of the life cycle as a framework, the manager can assess each product line for its potential and decide how to allocate the resources of the company for best advantage. For example, cash generated by a mature product line can be used to pay for development and start-up expenses of new lines. Research and development effort can be directed into the most promising channels. The areas in which cost-reduction efforts should be concentrated can be identified. Thus, long-range planning serves as a guide for conducting current company operations.

Alternative-Choice Concept

The second concept—choice among alternatives—is simply a recognition by managers that a decision is logically always a choice between or among alternatives. Therefore, the skilled manager does not look at just one plan and decide whether it is good or bad.

Instead, he considers at least two alternatives and compares the probable results. For example, in a number of companies, reviewing sales forecasts based on existing methods and channels of

distribution is only part of the story. Periodically, the estimated results of changes, such as varying the mix of dealer and direct sales, are compared with the results of existing distribution practices.

Maximum-Minimum Concept

Many managers insist on the establishment of a maximum and a minimum in assessing any choice or any situation. In other words, they try to answer the questions:

1. What is the best we can possibly expect if we adopt this program?
2. What is the worst that can happen to us if we adopt it?

The maximum-minimum approach is probably used most frequently in forecasting sales, with "best" and "worst" assumptions being reflected in forecast cash, inventory, and profit positions. It is also useful in answering such questions as: What happens to profits of a high labor-content product if wage rates increase ten cents per hour? Or, what happens to profits of a high material-content product if raw-material purchase prices are reduced?

Dollar-Model Concept

The most effective planning is expressed in terms of the dollar model of the business. By definition, a model is a simplified version of reality that is integrated, comprehensive, and stated in quantitative terms. It is so constructed that a change in any part of it results in predictable and measurable changes in any other affected parts.

A properly designed accounting system meets the specifications described above. Every transaction of a business, either actual or forecast, can be reflected in the balance sheet and the profit-and-loss statement.

When the accounting system is used as an aid to planning, the financial impact of any set of assumptions can be spelled out if the proper techniques are used. These techniques include such things as standard costs, flexible budgets, and fixed-variable costing. Of course, these tools can be used more precisely in short-term planning, within the limits of the annual budget period, but the basic concepts are also effective aids in long-term planning.

Thus, the manager's ability to assess alternative plans depends in part on the intelligent use of advanced accounting techniques.

EXPENSE CONTROLS

The second activity to which managers are devoting themselves is expense control. A gradual but noticeable change has occurred during the past 25 years in this activity. Declining business volume 25 years ago almost inevitably touched off the "10 per cent cut across the board" technique. To be sure, many companies still use this old approach, but quite a few are choosing their cost-reduction targets more carefully. In these companies, managers are deciding, on a priority basis, which company activities should be continued—and to what extent. These priorities are matched with what the company can spend, and revised programs and budgets are negotiated with the executives and supervisors concerned.

Control over expenses is then exercised in terms of holding executives and supervisors accountable for the accomplishment of their respective commitments. This approach, of course, depends on the development and use of performance reports that measure accomplishment against plan and state how much should have been spent for what was actually accomplished.

The change of emphasis has become evident. Managers are thinking in terms of spending wisely rather than in terms of not spending at all.

MERGERS AND ACQUISITIONS

A third activity of current interest to many managers is the acquisition of other companies. Acquisitions can be attractive for many reasons. They may be a means of acquiring executive talent or other specialized skills. Tax considerations may play a major part in making a merger desirable. But mergers are often appealing because they are the best answer to long-term cost-volume-profit pressures.

A merger is a short-cut to achieving a new product line. A company with mature product lines and lots of cash is in a good position to merge with a company that has a product line in the innovation stage and needs a lot of cash.

If the merger involves vertical integration, it has the attraction of strengthening the competitive cost position of the company making the finished product, and of increasing or assuring the market of the supplying company. And, often, mergers offer the opportunity of spreading corporate overhead and other fixed costs over a larger operating base.

IMPROVING MANAGEMENT INFORMATION

The interest of managers in improving the quality of the information they receive is unmistakable. Ralph Cordiner of the General Electric Company expressed this interest in a talk in 1956, when he referred to "the area of organizing, communicating, and utilizing information for decision-making. Business risks today tend increasingly to have long-term and often irreversible effects. In the large enterprises, at least, it is no longer possible or sensible for professional managers to make sound decisions wholly by intuition and a few traditional measurements. The manager of the future must increasingly base his decisions on accurate, organized knowledge."

Because planning is essentially market-oriented, much managerial interest is devoted to improving the validity and interpretation of data about share of market, market potential, methods of distribution, effective demand at various price levels, and related considerations. The use of alternative plans and the maximum-minimum concept are finding applications here.

Return-on-investment techniques are also enjoying a boom. Only the best analytical tools will reassure a man who has to decide whether to commit his company for several million dollars of investment in plant. The critical evaluation of such techniques as discounted cash flow and cash payback is characteristic of progressive managements today.

Also, managers are looking with a critical eye at figures that obscure the important facts rather than aid understanding. They are emancipating themselves from the spell of the overhead-allocation expert. More and more of them are saying, "Value the inventory for tax purposes according to the textbook—but give me figures on an out-of-pocket basis. And give me some sort of standard figures

I can hang my hat on—I'm tired of trying to reconcile this month with last month every month."

Finally, managers are interested in figures that help them to delegate authority and to hold subordinates accountable for results. In a company of any size, delegation is a requirement for successful operations. Equally important is the ability of the chief executive to maintain centralized control over his decentralized authorities. He wants, and in many companies gets, performance reports that help him to maintain such control.

THE OUTLOOK FOR PLANNING AND CONTROL

The long-term trends recognized and implemented by business managers are here to stay for the foreseeable future. Except for total nuclear warfare, no one has yet invented a way to stop technological progress and its economic impacts.

Therefore, business managers expect to continue the use of planning and control tools based on the acceptance of change as a way of business life. It seems likely that the greatest emphasis may be on developing techniques for improved decision-making, both long-term and short-term. But attention will also be devoted to developing related techniques for communicating plans of action and for measuring performance. As long as cost-volume-profit pressures continue, there will be a premium placed on effective operations as well as on the sound decision-making.

In short, it seems likely that managers will continue in the future to develop their planning and control skills—perhaps even more than they have in the past. How could it be otherwise in the competitive world and national economics in which we live? ♦

PUT FEAR OUT OF YOUR HEART. This nation will survive, this state will prosper, the orderly business of life will go forward if only men can speak in whatever way given them to utter what their hearts will hold—by voice, by posted card, by letter, or by press. Only force and oppression have made the wrecks in the world.

—William Allen White

Defining the Manager's Job

(Continued from page 30)

of contact and result in improved communications and better coordination of effort between them."

Organization planning. (66 mentions.) "Managerial descriptions are used to analyze and improve the organization structure. Descriptions of executive and key managerial positions determine whether all corporate responsibilities are fully covered and show when a reallocation of responsibilities leading to a better balance of assignments is necessary. Job descriptions frequently uncover duplications of effort and activities that are no longer required. Later, as responsibilities are added, descriptions determine to whom the new tasks should be assigned. As jobs are changed or duties reassigned, position descriptions to fit the new situation are circularized to notify company personnel of the changes."

BASIC OPERATING DECISIONS

Once the basic decision to describe managerial positions has been reached, a series of operating decisions must be made. Each will, in turn, influence later decisions, and the sum of these decisions may determine the success of the program. The following summary attempts to provide a rough, over-all guide to most of these major matters which must be decided.

The first point to consider is how the descriptions will actually be used. Our survey discloses that few companies with managerial position description programs use them for a single purpose, and that most companies find additional uses for their descriptions once they are formulated. It is wise to consider the possibility of multiple uses at the outset of the program, so that the initial arrangements will allow for them.

The ideal, of course, is to write the first description so well that a format for the entire program can be evolved from it—one that can be used for a considerable period of time. Before embarking on the program, it is perhaps best to formulate a written outline of what each description should contain. If additions or omissions are later decided upon, all previously written descriptions should be adjusted to fit the new format.

It is wise to consider which positions are to be described, keeping in mind the uses to which the descriptions are to be put. For example, one can plan a drastic company reorganization on the basis of as few as ten carefully written top-level descriptions. By rewriting the description of the vice president of marketing, for instance, one can radically change the entire character of his department; if it is done for every top manager, the entire nature of the firm may be changed. This arrangement constitutes the very quintessence of an organization-planning description program.

If, on the other hand, the company plans primarily to "establish a just basis for the entire organization's managerial salary structure," a far greater number of positions must be covered. Once the total number and kind of positions that will be covered are decided upon, the company has a better idea of the magnitude of the task ahead and its basic nature.

Naturally, if the company plans to use the finished descriptions for a wide variety of purposes, the number of positions to be described will be affected by each separate proposed use. At this stage, it is also wise to give some thought to the basis for deciding which jobs are to be described. This is, in part, a matter of prestige. If it is announced that a managerial description program is to be carried out and several jobs are not included, it is tantamount to a statement that one or two individuals are not in the managerial group. Needless to say, this can cause considerable dismay and irritation. Some companies set definite criteria for deciding which jobs are to be covered. For instance, the question can be decided by salary level. All those receiving a certain amount or more will be included in the program; all those below it will be excluded. This, at least, has the advantage of establishing a firm criterion that everyone can understand. Other companies decide on looser criteria, such as the nature of job titles, degrees of responsibility, and even "the degree of interest" shown by incumbent executives.

CONTENT OF THE DESCRIPTIONS

Another important consideration is the content of position descriptions desired. Earlier it was indicated that a multipurpose description seems appropriate in many cases, but it is conceivable that at least a few programs are designed to meet one primary need. For

instance, a company that definitely plans to use its descriptions as hiring and placement aids must plan to include job qualifications or specifications.

A further matter affecting the content of the descriptions is whether they are intended to describe the job as it is currently being done or as it should be done. In general, the companies writing descriptions for purposes of salary administration and organization clarification describe the jobs as they exist. Firms writing their descriptions for use in organization planning and performance appraisal tend to describe the positions as they should be in an ideal sense. It is easy to see that this is an important consideration; a decision in this area influences much of the wording of the descriptions and, needless to say, determines the ultimate content.

OPERATIONAL ASPECTS OF THE PROGRAM

Once these fundamental matters are considered, it is time to investigate the operational aspects of getting the program under way.

The first item on the agenda will usually be the choice of the executive who is to head the project. Among the survey respondents, the most popular choice appears to be a personnel executive—usually the vice president or director of personnel or the industrial relations director—since his background ordinarily includes considerable experience with appraisals, job evaluation, and organization planning. However, companies that do not plan to use managerial position descriptions for compensation purposes appear to prefer men from other functional areas, including finance, top executive management, and organization and administration.

Yet the functional area from which an executive comes is not the only consideration involved. At least as important is his level in the company. For example, in some cases it may be better to choose a lower-level executive who has more time to devote to the project than his overloaded boss. Conversely, in other circumstances it is better to avoid putting a junior manager in charge, since inevitably he will have a hand in describing the positions of his superiors and may not be able to obtain the necessary cooperation. Most of the companies participating in the AMA survey chose a vice president or someone on the director-administrator-manager level, although quite a few chose executives of an even higher status.

It is almost unnecessary to remark that the person guiding or coordinating such a program should have great understanding and appreciation of its goal and a detailed knowledge of position descriptions. It is not enough that he has participated in the description of office and shop jobs, since managerial position descriptions are usually more complex and involve such things as status and prestige. He should be something of a diplomat. Sometimes, respondents to this survey stated, men were chosen to head the program simply because they had the requisite personality to handle prestige conflicts and the ability to brush up on technical details of position descriptions in short order. Lack of specific experience was far outweighed by demonstrated ability.

USING MANAGEMENT CONSULTANTS

Are consultants necessary? Many of the participating companies used them. Management consulting services in managerial position description range all the way from installing an entire program—writing the descriptions and training company employees to continue and maintain the project—to a few days of "consultation and advice."

More than half the firms participating in this research project either used a consultant or obtained outside assistance in their programs from some other source, such as by attendance at seminars or training courses on the subject. Some of them stated that an outsider has the benefit of "neutrality" in company politics and can therefore do a more objective job. Others, who did not use consultants, believed that they would not have enough intimate acquaintance with the company's problems and structure. It is a difficult question to decide, but probably the major consideration is whether or not men within the company have the requisite ability and talent to carry out the program without assistance from outside.

The costs of outside assistance can range widely, depending on the degree to which consultants are utilized. The company that reported paying the smallest fee ($1,200) hired the consulting firm only for consultation and advice on its program, which was developed solely for compensation purposes. At the other end of the scale, a firm that paid one of the two largest fees also wanted its program strictly for compensation purposes. In this case, however,

the consulting firm helped set up the evaluation plan and the company's over-all salary administration program, selling the idea of managerial position descriptions personally to each of the company's major executives and writing the first managerial descriptions. This work, which took two years, cost the company between $75,000 and $100,000.

The majority of the respondents who answered questions about the cost of consultants gave the amount in terms of a daily rate, rather than an over-all cost. The rates mentioned all range between $100 and $150 per day, except for one company that paid $275 per day. The median fee paid to consultants by survey respondents who mentioned a total dollar amount was $20,000.

FORMULATING THE DESCRIPTIONS

Once the company has decided on a managerial position description program, clarified the program's objectives, appointed an executive to guide the activity, and hired (or refrained from hiring) outside assistance, the next step is to consider the most practical means of formulating the descriptions themselves (unless, of course, the entire project has been turned over to a consultant).

In nearly every company participating in this survey, the process falls into four stages: (1) gathering the job-content information; (2) writing a first draft of the description; (3) reviewing, approving, and/or revising this preliminary version, usually after comparison with other position descriptions throughout the company; and (4) writing the final, authorized version. The executive coordinating or in charge of the project must decide how each of these stages is best accomplished and who should participate at each stage in the proceedings. In general, the three persons who are most active in all stages, as shown by the AMA survey, are the company description specialist (not necessarily the head of the program), the executive whose position is being described, and the latter's boss.

At this point it is wise for the coordinator or head of the program to consider his own role. Does he plan to participate in writing all the descriptions himself, or does he plan to delegate this work to someone else, either inside the firm or with a consulting agency? The answer depends on the workload in many cases. If 3,000 descriptions are to be written, it is almost impossible for a single

individual to participate in the formulation of all of them. In this case, the program's planner should make some effort to assure himself that all his job analysts use roughly the same technique and, as much as possible, the same writing style and format.

Connected with this is the decision on who is to review and approve (or revise) the original versions of the descriptions. Usually, this process involves review of each description by three or four persons, either singly or in committee.

TOP-MANAGEMENT SUPPORT

Up to this stage, it is possible that the incumbent executives have no knowledge of the impending description effort. Sometimes this is the point at which the program ends, simply because it encounters icy rejection by the managerial group. It is easy to see that if the program is introduced carelessly, at least a few executives may believe that an effort is being made to prune deadwood, to adjust compensation (sometimes downward), to cut some jobs down to a smaller size, or to inflate other jobs. Prestige and status are definitely involved.

What should be done about it? Most of the survey respondents believe that the program will get off the ground best if it has the full force of the company's top management behind it. Often, the introductory announcement outlining the program to the managerial group is sponsored or actually conducted by the president of the firm. The favored method appears to be a group meeting of top company executives at which the need for descriptions is outlined and the method to be used in describing their positions is explained. Each of these executives then may hold a meeting of his department's officials and explain the program to them as fully and as frankly as possible. Some companies, in contrast, prefer to announce the project by means of a letter signed by the president, and a few firms feel that the matter is vital enough to require both a letter and a meeting.

Needless to say, it is important to explain the basic purpose of the program at this meeting or in the introductory memo. Often, reassurances are given that compensation will not be reduced as a result of the description program and that no one will lose his job. Sometimes it is carefully explained that the study is being conducted

for equity in compensation only and that job content will not be altered as a result—or, on the contrary, that the balance of duties is being reviewed and compensation will not be affected.

REVIEW AND REVISION

Once launched, the project tends to settle down into a routine and become easier to manage. Sometimes, however, boredom sets in, particularly if many executives do not appreciate the value of the descriptions and consequently allow them to languish in their files.

A regular program of revision is one solution. In other words, the job content may be reviewed periodically and the descriptions updated. Some companies require that the position description be read and revised (if necessary) at each performance appraisal. Other companies, however, revise descriptions irregularly, only when actual job content changes or a new man is to be given the position. Some never revise their descriptions at all. This can lead to undue rigidity if executives seriously follow outmoded and inadequate descriptions. More likely, it leads to inadequate control and to complete loss of usefulness of the descriptions, because soon no one pays the slightest attention to them.

Perhaps the best remedy is to carry out a carefully conceived program that really enlists the support of all concerned and demonstrates the many ways in which well-written descriptions can be an aid to the company. Like any other tool, managerial descriptions are best maintained when they are used properly and often. ♦

SOME PERSONS are always ready to level those above them down to themselves, while they are never willing to level those below them up to their own position. But he that is under the influence of true humility will avoid both these extremes. On the one hand, he will be willing that all should rise just so far as their diligence and worth of character entitle them to; and on the other hand, he will be willing that his superiors should be known and acknowledged in their place and have rendered to them all the honors that are their due.

—Jonathan Edwards

SURVEY OF BOOKS FOR EXECUTIVES

MANAGEMENT AND ORGANIZATION. By Louis A. Allen. McGraw-Hill Book Company, Inc., New York, 1958. 353 pages. $7.00.

*Reviewed by Merlin C. Landberg**

The writer of Proverbs first stressed the importance of organization: "Seest thou a man diligent in his organization? He shall stand before Kings, he shall not stand before mean men." Through the years, many voices have been heard exhorting management to increased emphasis on organization planning. Louis Allen's new book, *Management and Organization,* represents a significant contribution to the literature on this important management subject.

A three-year study of 230 leading companies and the organization methods which contributed to their growth, made by the author for the National Industrial Conference Board, serves as a background for this comprehensive analysis of the management function and the various methods of organizing management groups to accomplish established objectives. Numerous case histories of the companies—identified by name—serve to illustrate and enforce the principles discussed.

Now heading his own management consultant firm on the West Coast, Louis Allen is well qualified to explain the principles of good organization and the techniques of organization planning. Before forming his own firm, he was a member of Booz, Allen, and Hamilton as a consultant in organization planning, and was formerly with Koppers Co., Inc., and Alcoa, among others. He has also taught as visiting professor at the University of Chicago and at New York University and has spoken to numerous AMA seminars and other management groups.

The author begins with an analysis of the management profession, its historical evolution, and modern management philosophy. He proposes that any management position is a combination of varying amounts of planning, organizing, coordinating, motivating, and controlling activities. This, of course, is not a new concept, although other writers have variously analyzed the manager's job into anywhere from four to ten different functions. However, Allen has restricted his classifications to those covering only the work performed in guiding and directing the

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efforts of other people, grouping all other activities required of a manager separately as "operating" work. In our own company, we have found a similar classification of management functions for each position valuable in improving the division of responsibilities between positions, planning self-development training programs, and formulating internal selection procedures.

Ten of the book's fourteen chapters deal with the principles of organizing for management activities. The various types of company organization structures and the advantages and disadvantages of each are described. The author contends that an organization starts life as a functionally organized unit, but its continued growth inevitably requires a change at some point to a divisionalized type of structure based on product or geographical divisions.

Several chapters on the art of delegation discuss what can and should be delegated, good methods of delegating and retaining necessary controls, and the desirability of decentralizing the decision-making process. The profit-center concept is described as the most valid and useful type of decentralization of responsibility and authority. General Motors, Ford, DuPont, and General Foods are cited as examples of firms that faced the need for decentralization and divisionalization to insure successful growth.

Staff and line relationships are fully discussed, and the difference between personal and specialized staff is defined, with emphasis on the dangers of an excessive use of personal staff. The various ways of organizing the top management position or positions rate a chapter, and Allen contends that all but the smallest companies should split the chief executive function into two or more positions.

The final section of the book covers planning a change in the organization structure and putting it into effect. Setting up objectives, analyzing the existing organization, and formalizing the information gained through organization charts, position guides, and an organizational manual are discussed as prerequisites for establishing an ideal organization plan. Allen recommends first adopting an organization structure change on a pilot basis, and then moving toward the ideal organization through a series of interim "phase" plans—as a means of making full use of the human assets of the company.

Management men with the responsibility for planning their own company's or department's organization will find this a valuable source book. Organization planning specialists will be particularly interested in the planning and analyzing techniques described, including linear charting, as well as in the discussion of the responsibilities of the organization planning staff.

As a chess enthusiast, I am bothered by Allen's choice of similes when he refers to employees being "pushed around like so many pawns on a chessboard." But perhaps comparing an employee to a pawn is laudatory rather than derogatory—for isn't it true that the pawn is the only piece in the game that can be "promoted"?

Briefer Book Notes

(Please order books directly from publishers)

GENERAL

MANAGEMENT PRINCIPLES AND PRACTICES. By Dalton E. McFarland. The Macmillan Company, New York, 1958. 612 pages. $9.25. Based on the assumption that "management of a business organization is a rational, orderly, intellectual process by which human beings get work done," this comprehensive textbook focuses on four main areas: the field of management, the principles and fundamentals of management; human relations and personnel management, and operating management. Primarily designed to help the student of business administration prepare to meet the widest possible range of management situations, the book also contains much material that should be of value to the practicing manager.

BUSINESS CYCLES AND ECONOMIC GROWTH. By James S. Duesenberry. McGraw-Hill Book Company, Inc., New York, 1958. 341 pages. $6.50. This analysis of the causes of business cycles and economic growth is divided into two parts. The first discusses the factors determining investment and consumption, including the influence of corporate financing on business investment, and the relation of competition to investment. The second part attempts a systematic explanation of the growth of demand and the causes of fluctuations.

A PHILOSOPHY OF ADMINISTRATION: *Toward Creative Growth*. By Marshall E. Dimock. Harper & Brothers, New York, 1958. 176 pages. $3.50. The author examines administration in terms of such concepts as growth, balance, strategy, leadership, and motivation. The relations of business and government, the dangers of bigness, the growing political character of economic institutions, and the administrative differences between private and public management are discussed in detail.

THE MAN IN MANAGEMENT: *A Manual for Managers*. By Lynde C. Steckle. Harper & Brothers, New York, 1958. 144 pages. $4.00. In this practical handbook, the author offers seven tools of management based on fundamental psychological needs. Among the topics discussed are how homo became sapiens, control, listening, appreciating, stressing positives, criticizing gently, and treating people as individuals.

THE WOMAN EXECUTIVE. By Margaret Cussler. Harcourt, Brace & Company, New York, 1958. 165 pages. $3.95. A sociological study based on a two-year interview survey. The author examines such topics as the unmarried and the married woman executive, her problems in human relations, salary, off-the-job activities, and her status as a sociological minority.

THE PRENTICE-HALL PRESIDENT'S GUIDE. Prentice-Hall, Inc., Englewood Cliffs, N.J., 1958. 1,400 pages. $35.00. This comprehensive reference work for top executives covers seven main areas: increasing volume and profits, successful cost cutting, getting top results from employees, financing the business, management's powers and liabilities, reducing the president's taxes, and increasing his wealth. Numerous illustrative cases are used throughout.

ANTITRUST POLICIES: ***American Experience in Twenty Industries.*** By Simon N. Whitney. The Twentieth Century Fund, New York, 1958. Two volumes, 1,101 pages. $10.00. A study of the workings of antitrust legislation and its influence on the course of the American economy. The author examines antitrust action in eight major industries, including oil, steel, coal, chemicals, and meat-packing, as well as in 12 significant cases in other fields. The work concludes with an evaluation of the contribution of antitrust legislation.

Publications Received

(Please order books directly from publishers)

HISTORY OF THE UNITED STATES CIVIL SERVICE. By Paul P. Van Riper. Row, Peterson and Company, 1911 Ridge Avenue, Evanston, Ill. 1958. 588 pages. $7.50.

MODERN RUSSIA. By John Long. Philosophical Library, Inc., 15 East 40 Street, New York 16, N. Y. 1958. 180 pages. $6.00.

DEFENSE PROCUREMENT AND CONTRACT COSTS. Machinery and Allied Products Institute, 1200 18 Street, N.W., Washington 6, D.C. 1958. 27 pages. 25 cents.

STEEL AND INFLATION—FACT VS. FICTION. United States Steel Corporation, 71 Broadway, New York 6, N.Y. 1958. 292 pages. Gratis.

A PUBLIC RELATIONS BIBLIOGRAPHY. By Scott M. Cutlip. The University of Wisconsin Press, 811 State Street, Madison, Wis. 1957. 313 pages. $5.00.

A GUIDE TO STATISTICAL CALCULATIONS. By Harold E. Yuker. G. P. Putnam's Sons, 210 Madison Avenue, New York, N. Y. 1958. 95 pages. $1.95.

ECONOMICS OF AMERICAN INDUSTRY. By E. B. Alderfer. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York 36, N.Y. 1957. 710 pages. $7.00.

HANDBOOK FOR INDUSTRY STUDIES. By Everett E. Hagen. The Free Press, 1005 W. Belmont Avenue, Chicago 13, Ill. 1958. 89 pages. $3.50.

STATEMENT required by the Act of August 24, 1912, as amended by the Acts of March 3, 1933, and July 2, 1946 (Title 39, United States Code, Section 233) showing the ownership, management, and circulation of THE MANAGEMENT REVIEW, published monthly at New York, N. Y., for October 1, 1958.

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HARWOOD F. MERRILL, Editorial Director

Sworn to and subscribed before me this 30th day of September, 1958.

FRANCES M. ARENA, Notary Public. (My commission expires March 30, 1959.)

(Seal)

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NOVEMBER, 1958 - JANUARY, 1959

DATE	CONFERENCE	LOCATION
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November 17-19	INSURANCE CONFERENCE	Drake Hotel, Chicago
December 10-12	SPECIAL MANUFACTURING CONFERENCE: Profit Improvement through Effective Cost Management	Ambassador Hotel, Los Angeles
December 15-16	SPECIAL MARKETING CONFERENCE on the District Sales Manager	Palmer House, Chicago
January 14-16	SPECIAL RESEARCH & DEVELOPMENT CONFERENCE: Gearing Research and Engineering to Profit Goals	Roosevelt Hotel, New York
January 26-28	WEST COAST GENERAL MANAGEMENT CONFERENCE	Statler Hotel, Los Angeles

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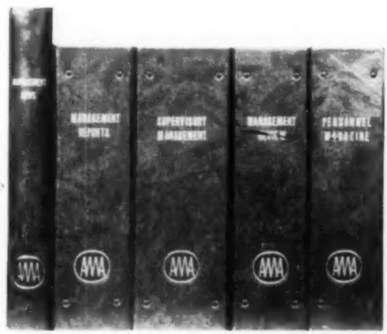

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